

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 2010. 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.

Executive Summary

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.

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 was 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, 2010, 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 on 31 March 2010. 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. The 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 2009-10 (Para 1.11.1). However, it was noticed that the State's own tax and non-tax revenue marginally declined during 2009-10 over the previous year (Para 1.5.1). The arrears of revenue increased by ₹ 5646 crore and stood at ₹ 12154 crore at the end of 31 March 2010 (Para 1.5.3).

The Government should ensure better tax compliance to improve its own tax revenue and to reduce the arrears of revenue.

High incidence of non-plan revenue expenditure (NPRE): The revenue expenditure constituted 80 *per cent* of total expenditure during 2009-10. The NPRE component of revenue expenditure exceeded significantly both the normative projections of TFC and State's projections in its FCP for 2009-10 (Para 1.6.1). The committed expenditure on salaries and wages, pensions, interest payments and subsidies constituted 81 *per cent* of NPRE during 2009-10. However during the current year the salary expenditure was 37 *per cent* of revenue expenditure net of interest and pension payments as against the TFC recommendations of 35 *per cent* (Para 1.6.2).

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

Priority to capital expenditure: The capital expenditure in 2009-10 increased over the previous year and constituted 17 *per cent* of total expenditure. It was however, below the projections made in MEFS for 2009-10 (Para 1.6). Expenditure incurred on the incomplete projects constituted 39 *per cent* of the progressive capital expenditure at the end of March 2010 (Para 1.8.1). State Government gave adequate fiscal priority to capital expenditure as the ratio of capital expenditure to aggregate expenditure is higher than the average of general category states during 2005-06 and 2009-10 (Para 1.7.1).

Government should incur capital expenditure on the projects which could derive envisaged benefits in time.

Adequate thrust to development and social sector expenditure: State Government gave adequate fiscal priority to development expenditure. The priority given to social sector was, however not adequate as the ratio of expenditure on social sector to aggregate expenditure was lower than the average ratio of general category states during 2005-06 and 2009-10 (Para 1.7.1).

Government may consider re-prioritisation of outlays in favour of social sector.

Incomplete projects: Inordinate delay in completion of 206 projects led to huge cost overrun of ₹ 27235 crore and blocking of ₹ 36165 crore spent on these projects (Para 1.8.1).

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

Review of Government investments: The average return on Government investment in Statutory Corporations, Government and Joint Stock Companies and Co-operative Banks and Societies was less than one per cent during the last five years while the Government paid average interest rate of 8.37 per cent on its borrowings during last five years (Para 1.8.2). This is obviously an unsustainable proposition.

The State Government should therefore hasten to seek better value for money in investment. 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. Closing cash balance at the end of the current year increased over previous year and the interest received on investment of cash balances in GOI Treasury bills was only 5.61 per cent while the Government borrowed on an average rate of 7.86 per cent during 2009-10 (Para 1.8.5).

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.

Fiscal liabilities: The total fiscal liabilities at the end of the current year stood at 30.11 per cent of GSDP against a ceiling of 35 per cent prescribed in the FRBM Act (Para 1.9.2). Since the 13th Finance Commission has recommended that all States should bring down their fiscal liabilities to 25 per cent of GSDP by 2014-15, the State Government may adopt a suitable strategy to ensure this target.

Government needs to reduce the fiscal liabilities by a better debt management.

Debt sustainability: The resource gap in the State 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 1.10).

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. During the current year, Government of India transferred ₹ 6964 crore directly to the State implementing agencies for implementation of various Central Schemes/programmes without routing through the State budget. There is no single agency monitoring its end use and no data is readily available on the amount spent in any particular year on major flagship and other important schemes (Para 1.4.2).

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 2009-10, the overall saving of ₹ 24066 crore was the net effect of saving of ₹ 24176 crore and excess of ₹ 110 crore, which required regularisation under Article 205 of the Constitution of India (Para 2.2). There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Besides, there was a rush of expenditure at the end of the year. In many cases, the anticipated savings were either not surrendered or surrendered on the last two days of the year leaving no scope for utilizing these funds for other development purposes. Budgetary procedure and expenditure control in Social Welfare Department and Energy Department were weak.

Efforts should be made by all the departments to submit realistic budget estimates keeping in view the trends in receipts and expenditure in order to avoid large scale saving/excess, re-appropriations and surrenders at the fag end of the year. Re-appropriations should be judicious to avoid excessive and insufficient funds and specific reasons for re-appropriations and final saving/excess should be given. Savings should be surrendered as and when they were noticed without waiting till the end of the financial year.

Financial reporting: State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing detailed contingent bills for the amounts drawn on abstract contingent bills and utilization certificates against the loans and grants from various grantee institutions (Paras 3.1 and 3.2). Delays were also noticed in submission of annual accounts by some autonomous bodies and

departmental undertakings (Paras 3.3 to 3.5). Substantial amounts of receipts (₹ 2116.52 crore) and expenditure (₹ 10832.08 crore) were classified under omnibus minor head '800-Other Receipts/Expenditure' during 2009-10 (Para 3.7). There were instances of embezzlements, defalcation, misappropriations (Para 3.6) and overpayment of pension/family pension. Calamity Relief funds of ₹ 2.50 crore were diverted for payment of arrear bills for construction of Collectorate buildings complex. An amount of ₹ 55.97 crore drawn from PD accounts was kept in Banks by the Administrators to avoid lapsing (Para 3.9).

Government should take concrete steps to minimize the drawal of funds on AC bills and to submit the DC bills within the prescribed time limit for the amount drawn on AC bills. Departments should ensure timely submission of Utilisation Certificates for the grants released for specific purposes and the annual accounts of autonomous bodies. Government should ensure that the proforma accounts of all Commercial Undertakings are updated and for accountability and improving efficiency. Classification of huge receipts and expenditure under omnibus minor head '800-Other Receipts/Expenditure' should be avoided for greater transparency in financial reporting. Departmental enquiries in all fraud/misappropriation cases should be expedited and internal controls strengthened to prevent such cases.

Chapter 1

Finances of the State Government

Profile of Andhra Pradesh

Andhra Pradesh (AP) is situated in the eastern side of South India along Bay of Bengal with a coast line of about 974 km. AP is the fourth largest state in India in terms of geographical area of 2.75 lakh sq. km with a population of 8.40 crore. The Gross State Domestic Product (GSDP) of the state has been growing at a compound annual growth rate (CAGR) of 12.50 *per cent*, marginally below than that of other general category states (12.54 *per cent*) during the past decade. The population of the state, however, is growing at a lower rate than that of other general category states. Andhra Pradesh has lower poverty levels, lower infant mortality rate and high life expectancy when compared to the all India average indicators. However the literacy rate in the state is alarmingly low at 60.47 per cent compare to all India average of 64.80 per cent (*Appendix 1.1*).

1.1 Introductory

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 *Appendix 1.9*. The State Government, in compliance with the recommendations of Twelfth Finance Commission (TFC) enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 and developed its own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period 2004-10. A summary of FRBM Act 2005 and outcome indicators of State's own FCP are given in *Appendix 1.10* and *Appendix 1.2* respectively.

1.2 Summary of current year's fiscal transactions

Table 1.1 presents the summary of State Government's fiscal transactions during the current year (2009-10) vis-à-vis the previous year while *Appendix 1.4* 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				
	2008-09	2009-10		2008-09	2009-10		
Section A	Total	Total	Section A	Total	Non Plan	Plan	Total
Revenue receipts	62858	64678	Revenue expenditure	61854	48006	15442	63448
<i>Tax revenue</i>	33358	35176	<i>General services</i>	18730	21211	181	21392
<i>Non-tax revenue</i>	9683	7803	<i>Social services</i>	25004	15058	10699	25757
<i>Share of Union Taxes/Duties</i>	11802	12141	<i>Economic services</i>	17807	11651	4562	16213
<i>Grants from GOI</i>	8015	9558	<i>Grants-in-aid and Contributions</i>	313	86	---	86
Section B			Section B				
Misc. Capital receipts	---	---	Capital Outlay	10367	(-)162	13955	13793
Recoveries of Loans and Advances	370	143	Loans and Advances disbursed	3414	769	1514	1590
Public Debt Receipts¹	15353	19753	Repayment of Public Debt	4833	---	---	6277
Contingency Fund	1	7	Contingency Fund	7	---	---	---
Public Account Receipts	72503	71780	Public Account disbursements	74149	---	---	70243
<i>Opening Cash Balance</i>	<i>8512</i>	<i>4973</i>	<i>Closing Cash Balance</i>	<i>4973</i>	---	---	<i>5983</i>
Total	159597	161334	Total	159597	---	---	161334

Following are the significant changes during 2009-10 over the previous year:

Revenue receipts grew by ₹ 1820 crore (2.90 per cent) over the previous year. The increase was the net effect of increase in Own Tax Revenue (₹ 1818 crore), share of Union Taxes and Duties (₹ 339 crore) and Grants-in-aid (₹ 1543 crore) and decrease in Non-tax Revenue (₹ 1880 crore).

Revenue Expenditure increased by ₹ 1594 crore (2.58 per cent) over the previous year. The increase was the net effect of increase in Non-plan expenditure (₹ 5145 crore) and decrease in Plan expenditure (₹ 3551 crore). The revenue expenditure under General Services and Social Services increased by ₹ 2662 crore and ₹ 753 crore respectively while expenditure under Economic Services and Grants-in-aid decreased by ₹ 1594 crore and ₹ 227 crore respectively.

Capital expenditure increased by ₹ 3426 crore (33 per cent) over previous year. The increase was on account of increase under General Services (₹ 33 crore), Social Services (₹ 315 crore) and Economic Services (₹ 3078 crore).

¹ excluding net transactions under Ways and Means Advances and Overdraft

Recoveries and disbursements of Loans and Advances decreased by ₹ 227 crore and ₹ 1824 crore respectively, resulting in net decrease of disbursements by ₹ 1597 crore.

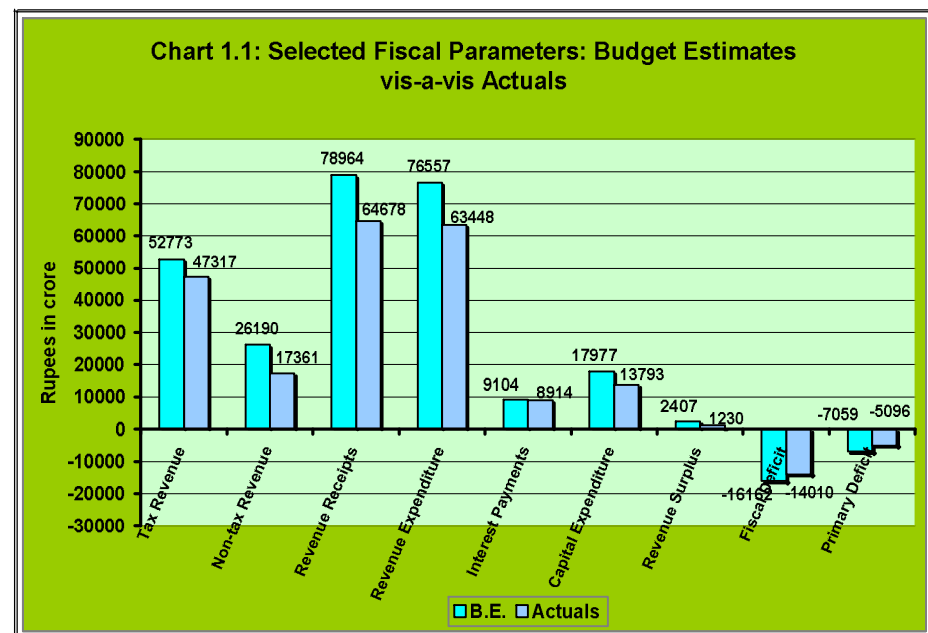
While the receipts and disbursements under **Public Debt** increased by ₹ 4400 crore and ₹ 1444 crore, those under Public Account decreased by ₹ 723 crore and ₹ 3906 crore respectively.

Closing cash balance increased by ₹ 1010 crore over previous year.

The State Government achieved revenue surplus for the fourth consecutive year and it increased from ₹ 1004 crore in 2008-09 to ₹ 1230 crore in the current year. The fiscal deficit (₹ 14010 crore) was 3.41 *per cent* of GSDP during the current year as against 3.29 *per cent* in 2008-09 but less than the ceiling of 4.0 *per cent* as relaxed by the Government of India in view of the economic slow down.

1.3 Budget estimates and actuals

The budget estimates and actuals for some important fiscal parameters are given in **Chart 1.1** and *Appendix 1.6*.



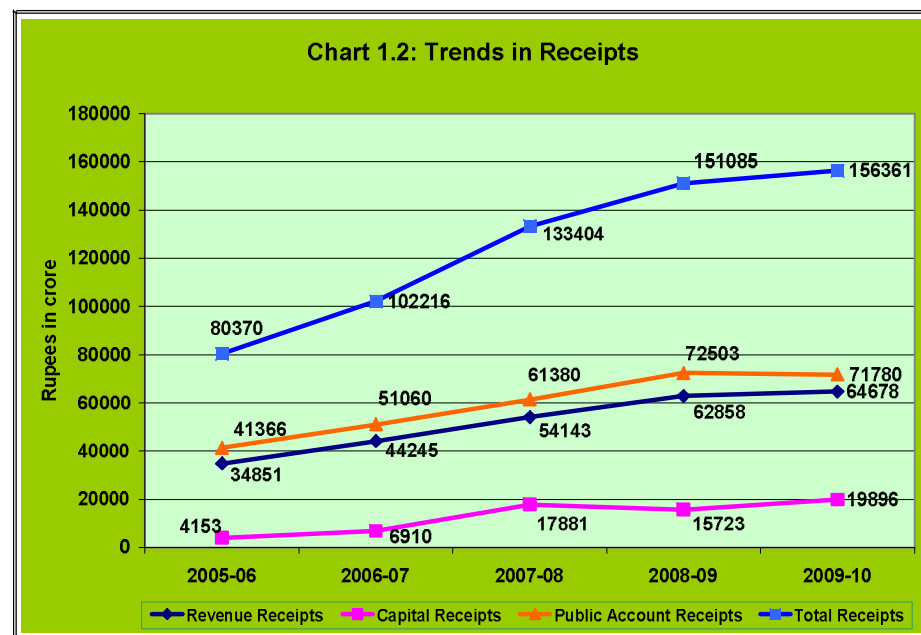
As may be seen from **Chart 1.1** (also see *Appendix 1.6*) there were considerable variations between budget estimates and actuals in case of several parameters. The revenue receipts decreased by 18.09 *per cent* and revenue expenditure also decreased by 17.12 *per cent* resulting in decrease of revenue surplus by ₹ 1177 crore (49 *per cent*) over the budget estimates. However, fiscal and primary deficits decreased by ₹ 2152 crore and ₹ 1963 crore respectively over budget estimates. Reduction in revenue

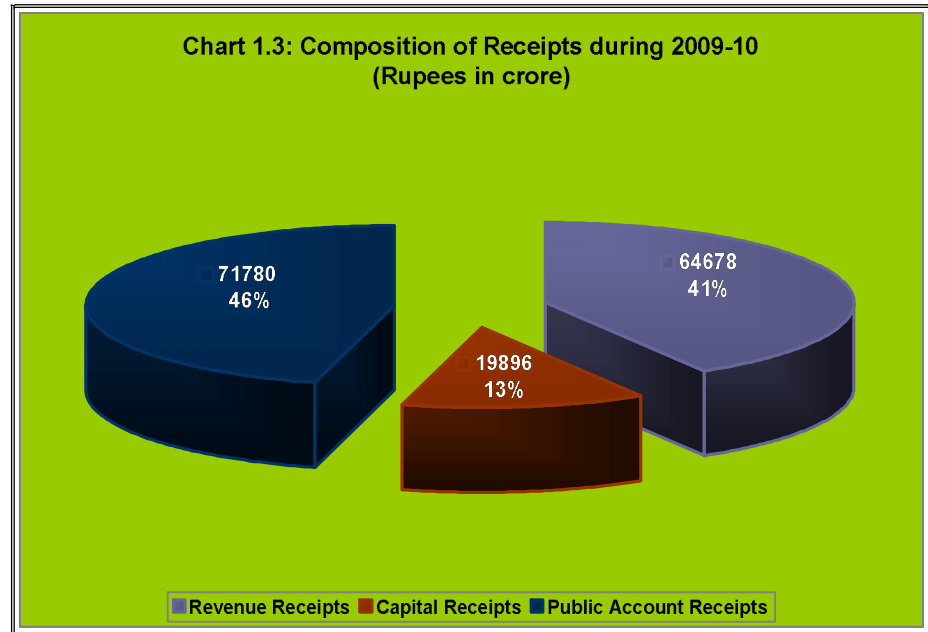
expenditure over the budget estimates was mainly under General Education (₹ 2597 crore), Water Supply and Sanitation (₹ 2067 crore) and power subsidy (₹ 2910 crore).

1.4 Resources of the State

1.4.1 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 2005-10, and **Chart 1.3** depicts the composition of resources of the State during the current year.





Total receipts of the State increased from ₹ 80370 crore in 2005-06 to ₹ 156361 crore in 2009-10. The share of revenue receipts in total receipts ranged between 41 and 43 *per cent* during 2005-10. The share of capital receipts fluctuated during the last five years and it was 13 *per cent* in the current year. Receipts under Public Account constituted 46 to 51 *per cent* of total receipts during the last five years.

1.4.2 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 Agencies² 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 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 a holistic picture on the availability of aggregate resources, funds directly transferred to State Implementing Agencies are presented in **Table 1.2**

² 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, such as State Implementation Society for SSA and State Health Mission for NRHM etc.

Table-1.2: Funds transferred directly to State implementing agencies

(Rupees in crore)

Sl. No.	Name of the Scheme	Implementing Agency	Amount released during 2009-10
1.	Development and strengthening of infrastructure facilities for production and distribution of quality seeds	APSSDCL	28.54
2.	Micro Irrigation	APMIP	92.30
3.	National Horticulture Mission	APSHM	95.67
4.	National Food Security Mission	APSAM&ETI	123.82
5.	Special package for 31 suicide prone districts	APLSDA	30.98
6.	National project for cattle and buffalo breeding	APLSDA	10.00
7.	Assistance to States for Developing Export Infrastructure and allied activities (ASIDE)	APIDCL	10.20
8.	National River Conservation plan (NRCP)	HMWS&SB	36.89
9.	National Rural Health Mission (NRHM)	SH&FWS, STBCS & SBSCS	499.48
10.	National Aids Control Programme including STD control	APSACS	39.01
11.	Crime and Criminal Tracking Network and System	APS e - COPS	10.80
12.	Swarna Jayanthi Shahari Rozgar Yojana (SJSRY)	Commissioner and Director of Municipal Administration	33.91
13.	Sarva Siksha Abhiyan (SSA)	RVMA	385.70
14.	Adult Education and Skill Development Scheme	Director of Adult Education	69.40
15.	Rashtriya Madhyamik Siksha Abhiyan	RMSA (APSES)	12.75
16.	National Rural Employment Guarantee Scheme	APSREGS	3367.65
17.	Rural Housing-IAY	DRDAs	856.29
18.	Pradhan Manthri Gram Sadak Yojana (PMGSY)	APSRDA	728.93
19.	Integrated Watershed Management Programme (IWMP)	DRDAs	41.47
20.	Accelerated Rural Water Supply Scheme	SWSM	402.44
21.	Central Rural Sanitation Scheme	DWSM	33.57
22.	Biotech Facilities	OU	10.46
23.	MPs Local Area Development Scheme (MPLADS)	District Collector Hyderabad	16.00
24.	Educational Complexes in Low Literacy Pockets	APTWRES	17.39
25.	Panchayat Yuva Krida and Khel Abhiyan (PYKKA)	SAAP	10.33
Total			6963.98*

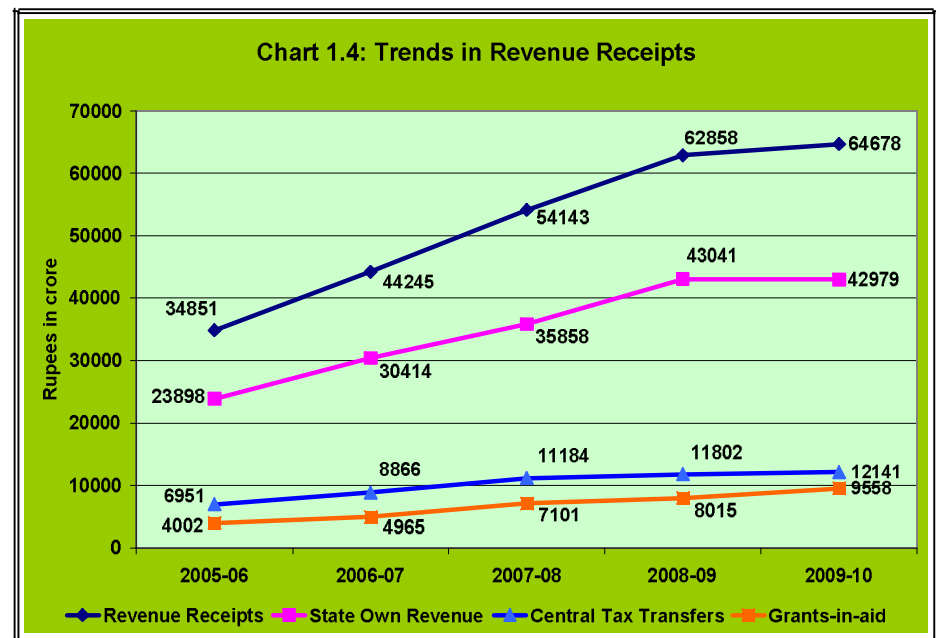
Source: Central Plan Scheme Monitoring system of CGA portal

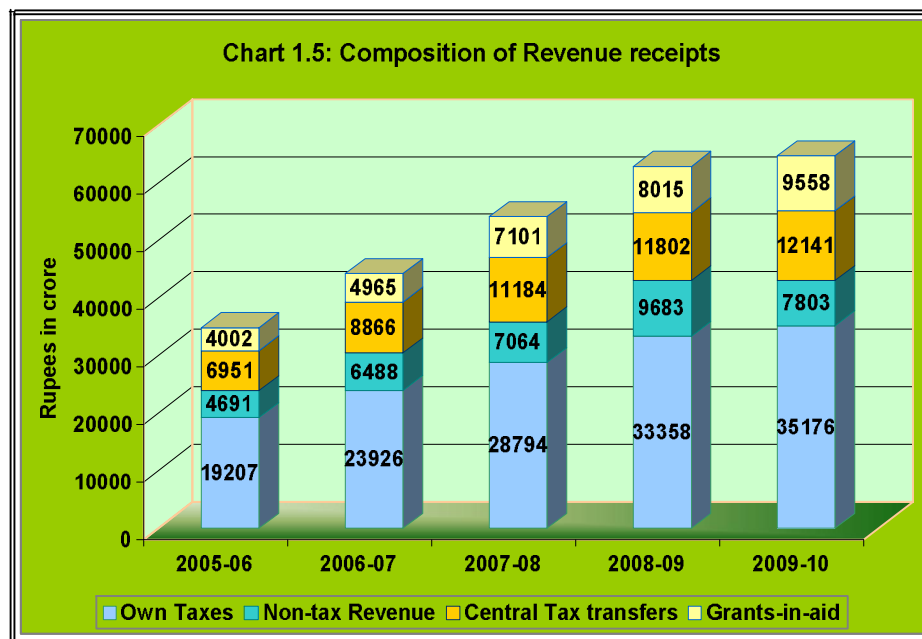
* Exclude an amount of ₹ 1067.48 crore released to Central Bodies located in the State as well as various other organizations outside the purview of the Government of Andhra Pradesh.

During the current year, Government of India transferred ₹ 6964 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).

1.5 Revenue receipts

Statement 11 of the Finance Accounts deals the revenue receipts of the Government. The revenue receipts consist of own- tax and non-tax revenue, central tax transfers and grants-in-aids from GOI. The trends and compositions of revenue receipts over the period 2005-10 are presented in *Appendix 1.3* and also depicted in **Charts 1.4 and 1.5** respectively.





Revenue receipts have shown a progressive increase over five year period 2005-10 at an average growth rate of 17.91 *per cent*. However the growth rate during the current year was much less than the average growth rate at 2.90 *per cent*. State's own-tax and non-tax revenue (₹ 42979 crore) during the current year decreased by ₹ 62 crore over the previous year but exceeded the TFC projections (₹ 40856 crore) by ₹ 2123 crore.

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

Table 1.3: Trends in revenue receipts relative to GSDP

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Receipts (RR) (₹ in crore)	34851	44245	54143	62858	64678
Rate of growth of RR ³ (<i>Per cent</i>)	21.22	26.95	22.37	16.10	2.90
RR/GSDP (<i>Per cent</i>)	14.54	15.96	16.58	16.66	15.72
Buoyancy Ratios⁴					
Revenue Buoyancy w.r.t. GSDP	1.61	1.72	1.26	1.03	0.32
State's Own Tax Buoyancy w.r.t. GSDP	1.38	1.57	1.15	1.02	0.60

While the growth rate of revenue receipts and own tax revenue were higher than the growth rate of GSDP from 2005-06 to 2008-09 the same was lower during the current year.

1.5.1 State's own resources

As the state's share in central taxes and 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

³ see glossary at page 98

⁴ see glossary at page 98

performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax resources.

Own Tax revenue

The growth rate of own-tax revenue (OTR) during 2006-10 showed a decreasing trend from a high of 24.57 *per cent* during 2006-07 to a low of 5.45 *per cent* during the current year. During the current year, the lion's share of tax revenue was contributed by Sales Tax (67.20 *per cent*) on account of revision of rate of tax on the residuary entries under Schedule V of APVAT Act 2005 from 12.50 *per cent* to 14.50 *per cent* and on Aviation Turbine Fuel from 4 *per cent* to 16 *per cent*. The share of State Excise was constant at 14 *per cent* during 2005-08, but increased to 17 *per cent* during 2008-10 indicating unhealthy trend of increasing dependence on State Excise. State's own tax revenue (₹ 35176 crore) during the current year was more than the projections of TFC (₹ 32090 crore) and the FCP under FRBM Act (₹ 34818 crore).

Non tax revenue

The non-tax revenue, which constituted 12 to 15 *per cent* of total revenue receipts during the last five years, decreased by ₹ 1880 crore during the current year recording a decrease of 19.42 *per cent* over the previous year. The decrease was mainly due to withdrawal of debt waiver (₹ 703 crore) granted during 2008-09 by Government of India. During the current year non-tax revenue (₹ 7803 crore) was mainly contributed by interest receipts (₹ 4852 crore), non-ferrous mining and metallurgical industries (₹ 1887 crore) and other rural development programmes (₹ 563 crore). The interest receipts during the year include ₹ 4529 crore arising out of book adjustment from irrigation projects which is of notional in nature. Non-tax revenue was, however, more than the projections of TFC and FCP under FRBM Act during last five years and increased by ₹ 1765 crore (29.23 *per cent*) over the projections of FCP (₹ 6038 crore) for 2009-10. 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 2009-10	NPRE during 2009-10	Ratio of NTR to NPRE
1.	Education, Sports and Culture	55.09	7110.78	0.008
2.	Medical and Public Health	70.58	1829.42	0.039
3.	Major and Medium Irrigation	81.88	4803.35	0.017
4.	Power	26.12	3233.37	0.008
5.	Roads and Bridges	45.01	1059.31	0.042

1.5.2 Debt Consolidation and Relief Facility (DCRF)

Subject to certain conditionalities, including the enactment of FRBM Act and reduction of Revenue Deficit and Fiscal Deficit as per certain norms, Andhra Pradesh was entitled to a debt waiver under the DCRF Scheme recommended by the TFC and accepted by the Union Government. As assessed by the TFC, in the case of Andhra Pradesh the annual repayment due was ₹ 766.86 crore and the amount of debt relief due for the period 2005-10 was ₹ 3834.30 crore, of this GOI sanctioned ₹ 1889.39 crore as debt relief for the State as detailed in **Table 1.5**:

Table 1.5: Debt relief due and sanctioned

(Rupees in crore)

Year	Debt relief due as per TFC recommendations	Debt relief sanctioned by the Central Government
2005-06	766.86	---
2006-07	766.86	1186.31
2007-08	766.86	703.08
2008-09	766.86	---
2009-10	766.86	---
Total	3834.30	1889.39

The shortfall of ₹ 1944.91 crore was due to non satisfaction of certain conditionalities. The debt relief of ₹ 1406.16 crore sanctioned to the State for 2008-10 was withdrawn by the GOI on the recommendation of Central Monitoring Committee (CMC).

1.5.3 Revenue arrears

The arrears of revenue as reported by the departments concerned as on 31 March 2010 in respect of some principal heads of revenue are presented in the **Table 1.6**.

Table 1.6: Arrears of revenue as on 31 March 2010

(Rupees in crore)

Sl. No.	Head of Revenue	Arrears as on 31 March 2010	Arrears outstanding for more than 5 years
1.	Commercial Taxes	5858.99	4132.00
2.	Chief Electrical Inspector	1965.87	113.50
3.	Transport	2391.51	992.95
4.	Mines and Geology	42.85	0
5.	Sugar and Cane Commissioner	292.71	292.71
6.	Stamps and Registration	187.32	0
7.	Forest	37.18	21.37
8.	Civil Supplies	22.21	0
9.	Land Revenue	1355.14	345.98
	Total	12153.78	5898.51

The arrears increased by ₹ 5646 crore during the current year (₹ 12154 crore) over previous year (₹ 6508 crore) affecting the fiscal position of the State to that extent. The arrears at the end of March 2010 include arrears of ₹ 5899 crore outstanding for more than five years. The arrears were stated to be on account of (i) stay orders, deferment, process under RR Act etc of Commercial Taxes (₹ 5859 crore); (ii) pending court cases, merger of Rural Electric Cooperative Society, pending process for waiver etc., of Electricity Duty (₹ 1966 crore); (iii) non-payment of arrears by APSRTC under Transport (₹ 2379 crore) and (iv) weak financial position of Cooperative Sugar Factories (₹ 293 crore). No specific reasons were furnished for the remaining (₹ 1657 crore) arrears including Land Revenue of ₹ 1355 crore.

1.5.4 Loss of revenue due to evasion of taxes, write off, refunds etc.

During the current year there was a loss of revenue of ₹ 522.64 crore as reported by the Revenue departments due to write off (₹ 23.95 crore) evasion (₹ 303.12 crore) and refunds (₹ 195.57 crore).

1.5.5 Cost of collection

The gross collection of major own tax revenue, expenditure on collection and the percentage of such expenditure to gross collection vis-à-vis all India average percentage during 2007-10 are as follows:

(Rupees in crore)

Head of revenue	Year	Gross collection	Expenditure on collection	% of cost of collection to gross collection	All India average %
Taxes on sales, trade etc,	2007-08	19026.49	175.73	0.92	0.83
	2008-09	21851.66	190.79	0.87	0.88
	2009-10	23640.21	215.88	0.91	NA
State Excise	2007-08	4040.69	162.24	4.02	3.27
	2008-09	5752.61	183.78	3.19	3.66
	2009-10	5848.59	200.62	3.43	NA
Taxes on Vehicles	2007-08	1603.80	62.46	3.89	2.58
	2008-09	1800.63	57.89	3.21	2.93
	2009-10	1995.30	64.99	3.26	NA
Stamp Duty and Registration fee	2007-08	3086.06	62.54	2.03	2.09
	2008-09	2930.99	73.58	2.51	2.77
	2009-10	2638.63	87.75	3.33	NA

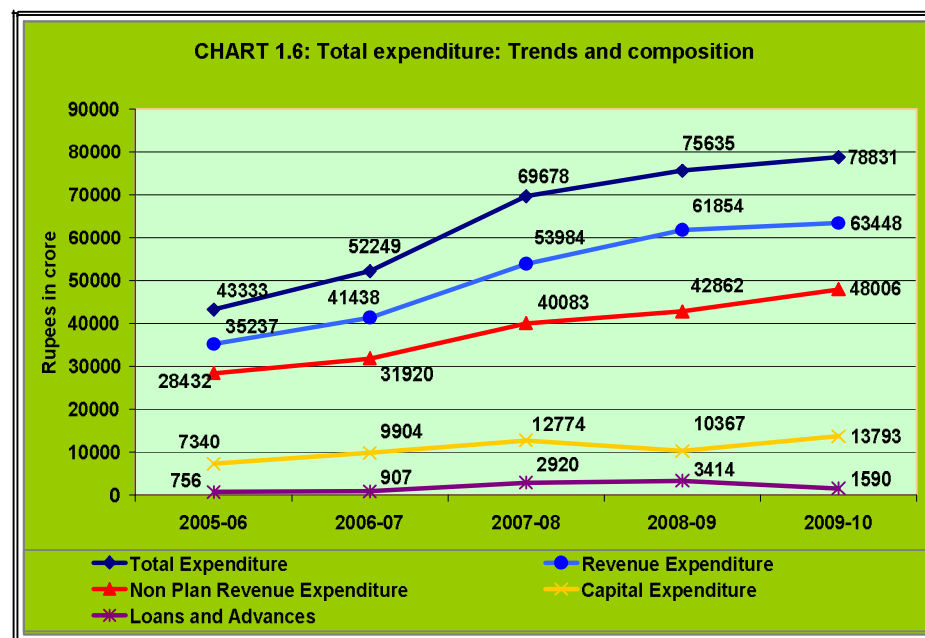
In case of Andhra Pradesh the cost of collection of Sales Tax and State Excise was more than that of all India average during 2007-08 but less during 2008-09. While the cost of collection of taxes on vehicles was more, the same on Stamp Duty and Registration fee was less than the all India average during 2007-09. The cost of collection of major taxes in the State during the current year increased over previous year and could not be compared as all India average figures are not available for 2009-10.

1.6 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.

1.6.1 Growth and composition of expenditure

Chart 1.6 presents the trends in total expenditure over a period of five years (2005-10) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Charts 1.7 and 1.8** respectively.

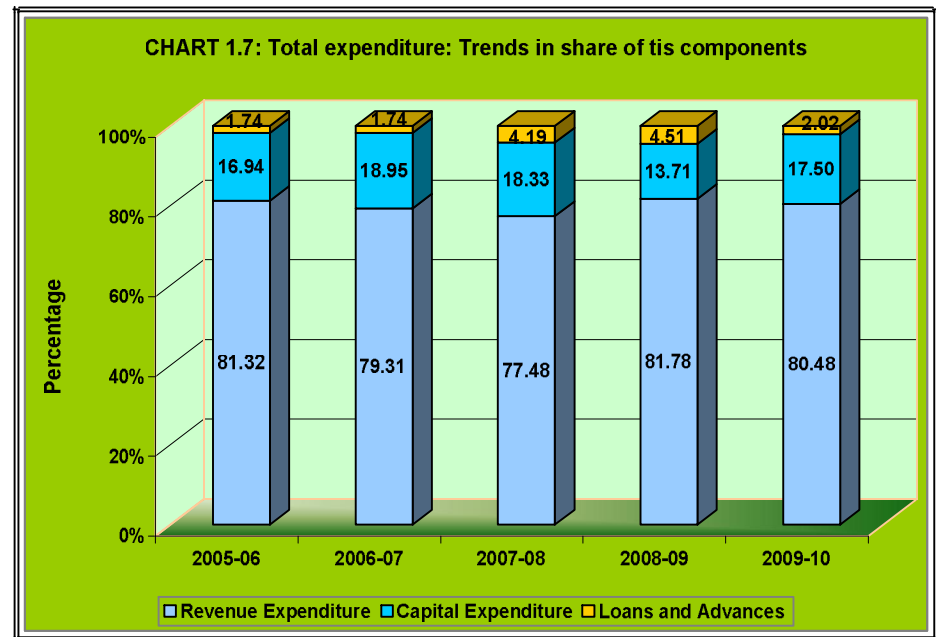


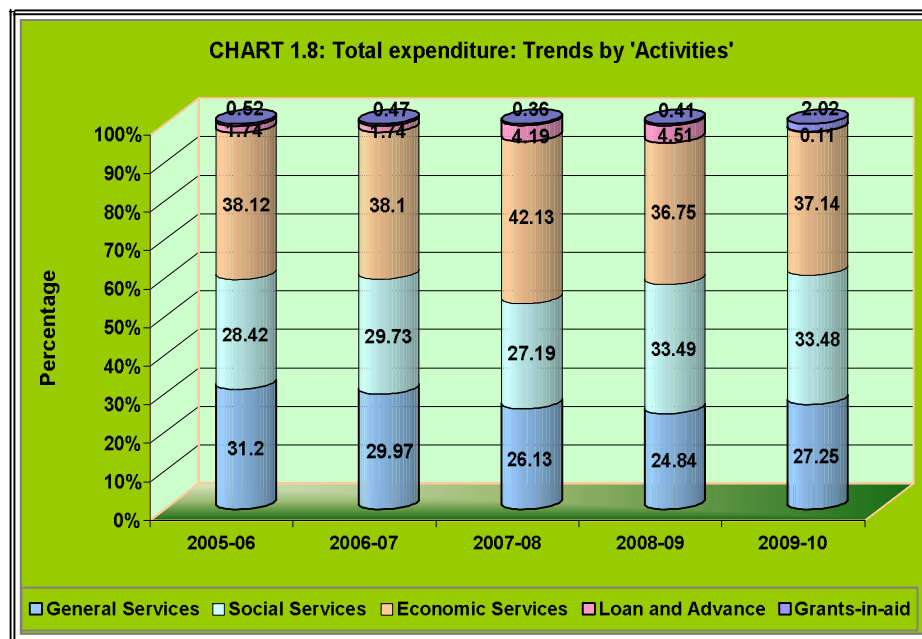
The total expenditure in 2009-10 (₹ 78831 crore) increased by ₹ 3196 crore (4 per cent) over previous year (₹ 75635 crore) mainly due to increase in capital expenditure (₹ 3426 crore) and revenue expenditure (₹ 1594 crore) partly offset by decrease in loans and advances (₹ 1824 crore). During the current year 82 per cent of total expenditure

was met from revenue receipts and the balance from capital receipts and borrowed funds.

Revenue expenditure constituted 80 per cent of the total expenditure in 2009-10. It increased by ₹ 9786 crore over the projections of State's own FCP (₹ 53662 crore) and constituted 15.42 per cent of GSDP as against the 15.46 per cent projected. There was significant increase in revenue expenditure under (i) interest payments and servicing of debt (₹ 894 crore) due to more expenditure under interest on market loans; (ii) Education, Sports, Art and Culture (₹ 1288 crore) mainly due to increase in assistance to local bodies for Secondary Education and to Universities for Technical Education; (iii) Social Security and Welfare (₹ 1222 crore) mainly due to disbursement of Gratuitous Relief under drought and assistance to Local Bodies/Institutions under Floods and Cyclones and (iv) Irrigation and Flood Control (₹ 1407 crore) due to more expenditure on Major Irrigation. The non plan revenue expenditure (NPRE) component constituted 76 per cent of revenue expenditure. It exceeded significantly both the normative projections of TFC (₹ 38068 crore) and State's projections in its FCP (₹ 40140 crore) for 2009-10.

Capital expenditure during 2009-10 (₹ 13793 crore) constituted 17.50 per cent of total expenditure. It increased by ₹ 3426 crore over the previous year (₹ 10367 crore). The increase was mainly on Major and Medium Irrigation (₹ 2412 crore), Roads and Bridges (₹ 381 crore) and Minor Irrigation (₹ 182 crore). Capital expenditure was more than the projections of FCP (₹ 9310 crore) at 3.35 per cent of GSDP, but less than the projections (₹ 17500 crore) made in Macro Economic Framework Statement (MEFS) for 2009-10.





1.6.2 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 1.7** and **Chart 1.9** present the trends in the expenditure on these components during 2007-10.

Table-1.7: Components of committed expenditure

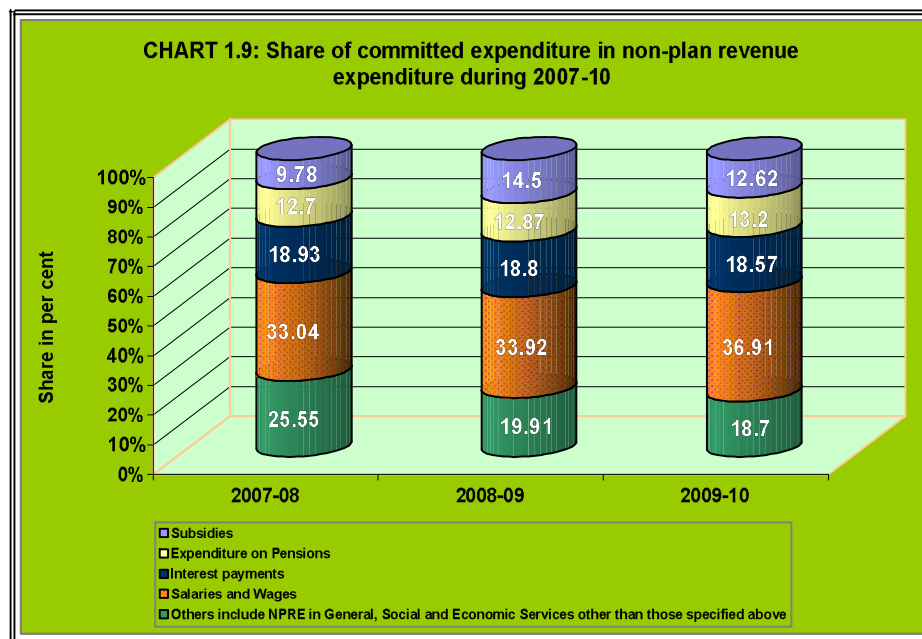
(Rupees in crore)

Components of Committed expenditure	2007-08	2008-09	2009-10		
			BE	Actuals	Percentage variation
Salaries* & Wages , <i>Of which</i>	13243(24)	14539(23)	16292(21)	17721(27)	(+)8.77
Non-Plan Head	12171	12883	15270(-)	15706(-)	(+)2.86
Plan Head**	1072	1656	1022(-)	2015(-)	(+)97.16
Interest Payments	7589(14)	8057(13)	9104(12)	8914(14)	(-)2.09
Pensions	5092(9)	5518(9)	6743(9)	6339(10)	(-)5.99
Subsidies	3918(7)	6213(10)	10023(13)	6056(9)	(-)39.58
Total	29842(54)	34327(55)	42162(53)	39030(60)	(-)7.43

Figures in the brackets indicate percentage to revenue receipts

* It also includes the salaries paid out of grants-in-aid and work charged establishment

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



Salaries and Wages

Expenditure on salaries and wages during current year was increased by 21.89 *per cent* and 8.77 *per cent* over previous year and budget estimates 2009-10 respectively. While the increase over budget estimates was mainly under plan heads (97 *per cent*), the increase over previous year was equal at 22 *per cent* under both plan and non-plan heads. The expenditure constituted 23 to 27 *per cent* of revenue receipts and 33 to 37 *per cent* of non-plan revenue expenditure during the last three years. *During the current year the salary expenditure was 37 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 (₹ 17721 crore) increased over the projections of FCP under FRBM Act (₹ 10483 crore) it was almost equal to the MEFS projections (₹ 17424 crore) for the year 2009-10.

Interest payments

The share of interest payments in revenue expenditure, which showed a declining trend over the last five years, increased to 14.05 *per cent* during the current year mainly due to increase in interest on market loans. The major source of borrowings was market loans (₹ 15383 crore) at interest rates ranging from 7.11 to 8.48 *per cent*. *The interest payment during the current year (₹ 8914 crore) increased by ₹ 857 crore (11 per cent) over previous year (₹ 8057 crore) but remained lower than the projections made in FCP (₹ 10356 crore) and MEFS (₹ 9104 crore).* Interest payments relative to revenue receipts in 2009-10 (14 *per cent*) were less than the TFC projections (15 *per cent*). The increase (₹ 857 crore) in interest payments over previous year was the net effect of increase in interest on Internal Debt

(₹ 832 crore) and Small Savings and Provident Funds (₹ 84 crore) and decrease on Loans and Advances from GOI (₹ 59 crore).

Pensions

The expenditure on pensions which was 9 *per cent* of the revenue receipts during the last two years, increased to 10 *per cent* during the current year. The pension payments during 2009-10 (₹ 6339 crore) exceeded the projections of TFC (₹ 4946 crore) and FCP under FRBM Act (₹ 5103 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 ₹ 6056 crore of which power subsidy was ₹ 3212 crore, rice subsidy was ₹ 2350 crore and other subsidies were ₹ 494 crore. The subsidies decreased by ₹ 157 crore (2.53 *per cent*) over previous year and by ₹ 3967 crore (40 *per cent*) over budget provision. While there was increase in subsidies on rice (₹ 149 Crore), supply of seeds to farmers (₹ 103 crore) and distribution of LPG connections to women in rural/municipal areas (₹ 47 crore), the subsidy on Power (₹ 173 crore) and interest subsidy on loans taken by Development of Women And Children in Rural Areas (DWACRA) groups (₹ 57 crore) decreased. *The State Government in its Fiscal Policy Strategy Statement (FPSS⁵) 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 ₹ 1935 crore and ₹ 1599 crore in its FCP and at ₹ 3500 crore and ₹ 6040 crore in FPSS respectively.* However, the actual expenditure in 2009-10 on rice subsidy (₹ 2350 crore) and power subsidy (₹ 3212 crore) was more than FCP projections and less than FPSS projections.

The committed expenditure on salaries and wages, pensions, interest payments and subsidies during 2009-10 constituted 81 *per cent* of NPRE.

1.6.3 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 1.8**

⁵ presented to State Legislature in August 2009

Table 1.8: Financial assistance to Local Bodies etc.

(Rupees in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1503.97	1766.50	1875.99	1820.16	1994.23
Municipal Corporations and Municipalities	464.95	233.43	2699.27	4104.94	3142.28
Zilla Parishads and other PR Institutions	842.19	1309.82	920.81	2503.43	1866.77
Development Agencies	2549.76	1747.02	3715.48	11791.26	7481.35
Hospitals and Other Charitable Institutions	238.98	387.44	599.55	1151.43	1392.99
Other Institutions ⁶	4102.16	5321.88	8850.95	3436.06	3964.75
Total	9702.01	10766.09	18642.03	24807.28	19842.37
Assistance as percentage of RE	27.53	26.00	34.53	40.11	31.27

The financial assistance including grants and loans extended to local bodies and other institutions in 2009-10 (₹ 19842 crore) decreased by ₹ 4965 crore (20 per cent) over previous year (₹ 24807 crore). The plan and non-plan grants given to local bodies and other institutions in 2009-10 were ₹ 11257 crore and ₹ 7079 crore respectively. The major receivers of the grants in 2009-10 were APTRANSCO for agriculture and allied subsidy (₹ 3212 crore), welfare pensions (₹ 639 crore) and Backward Region development grant (₹ 318 crore). The grants-in-aid include ₹ 1772 crore towards salaries. The financial assistance during 2005-10 constituted 26 to 40 per cent of revenue expenditure with inter-year variations.

1.7 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).

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector 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 fiscal priority (ratio of expenditure category to aggregate expenditure) accorded to a

⁶ Other institutions include those institutions who received ad-hoc or one time grants during the year

particular sector is considered to be low if it is below the general category states average. **Table 1.9** presents the fiscal priority given to different categories of expenditure by the State in 2005-06 (the first year of award period of the TFC and the current year 2009-10 (terminal year of TFC award period).

Table-1.9: Fiscal Priority of the State in 2005-06 and 2009-10

(in per cent)						
Fiscal Priority by the State	AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Education/ AE	Health/ AE
General Category States* Average (Ratio) 2005-06	17.75	61.76	30.76	13.97	14.95	4.05
Andhra Pradesh State's Average (Ratio) 2005-06	18.08	68.15	29.70	16.94	12.40	3.89
General Category States Average (Ratio) 2009-10	18.24	66.05	35.76	14.85	16.21	4.28
Andhra Pradesh State's Average (Ratio) 2009-10	19.16	72.53	35.28	17.50	10.76	4.33
AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure # Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances Disbursed. Source: GSDP data collected from the State's Directorate of Economics and Statistics. *Andhra Pradesh, Bihar, Chattisgarh, Delhi, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, MP, Maharashtra, Orissa, Punjab, Rajasthan, Tamilnadu, UP and WB.						

An analysis of the data (**Table 1.9**) of AP in comparison with general category states reveals the following:

- State Government, in 2005-06 and 2009-10 spent more as a proportion of GSDP (18.08 and 19.16 *per cent*) compared to general category state's average of 17.75 and 18.24 *per cent* respectively.
- State Government gave adequate fiscal priority to DE and CE since ratios of DE/AE and CE/AE in the case of Andhra Pradesh were higher than the average of general category states both in 2005-06 and 2009-10.
- The priority given to Social Sector was, however not adequate as the ratio of SSE/AE for AP was lower than the average ratio of general category states in 2005-06 and 2009-10.
- Though the literacy in AP is low at 60.47 *per cent* against the all India average of 64.80 *per cent*, State Government did not give adequate priority to Education as evident from that the ratio of expenditure on Education in AE (12.40 and 10.76 *per cent*) which was less than that of the general category states (14.95 and 16.21 *per cent*) during 2005-06 and 2009-10.
- Priority to health, however, improved since the ratio of expenditure on health in AE increased from 3.89 *per cent* in 2005-06 to 4.33 *per cent* in 2009-10 and was also more than that of general category states (4.28 *per cent*).

1.7.2 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 rationalization measures and lay emphasis on provision of core public and merit goods⁷. Apart from improving the allocation towards development expenditure⁸, 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 1.10** 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-1.10: Development Expenditure

(Rupees in crore)

Components of Development Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actuals
Development Expenditure (a to c)	29531(68)	36272(69)	51127(73)	56440(75)	72148(75)	57181(72)
a. Development Revenue Expenditure	21520(50)	25879(49)	35564(51)	42811(57)	53479(56)	41970(53)
b. Development Capital Expenditure	7314(16)	9560(18)	12738(18)	10308(14)	17936(18)	13702(17)
c. Development Loans and Advances	697(2)	833(2)	2825(4)	3321(4)	856(1)	1509(2)
Figures in the parentheses indicate the percentage to aggregate expenditure						

During 2005-10 the total development expenditure constituted 68 to 75 *per cent* of the aggregate expenditure. It increased in the current year by ₹ 741 crore (1.31 *per cent*) over the previous year. Development revenue expenditure constituted 49 to 57 *per cent* of aggregate expenditure during 2005-10. During the current year, while the development capital expenditure increased by ₹ 3394 crore (33 *per cent*), development loans and advances and development revenue expenditure decreased by ₹ 1812 crore (55 *per cent*) and ₹ 841 crore (2 *per cent*) respectively over the previous year.

⁷ see glossary at page 98

⁸ see glossary at page 98

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 (₹ 48006 crore) increased over the projections of TFC (₹ 38068 crore) by 26 *per cent* and the FCP under FRBM Act (₹ 40140 crore) by 20 *per cent*. The share of plan revenue expenditure ranged between 19 and 31 *per cent* during the last five years. Plan revenue expenditure (₹ 15442 crore) in 2009-10 was more by 14 *per cent* than the projections of FCP (₹ 13521 crore).

The share of General Services including interest payments in total expenditure has continuously decreased during the last four years while it increased to 27.25 *per cent* in the current year. During 2009-10, the share of Social Services and Economic Services constituted 34 and 37 *per cent* of total expenditure respectively. The share of General Services in revenue expenditure constituted 34 *per cent* while the Development Expenditure consisting Social and Economic Services constituted 66 *per cent* in 2009-10.

Table 1.11 provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected Social and Economic Services.

Table 1.11: Efficiency of expenditure use in selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2008-09			2009-10		
	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	1.10	65.11	0.28	0.50	86.56	0.33
Health and Family Welfare	1.03	46.06	0.97	1.22	58.91	0.41
WS, S, H&UD	0.33	2.26	0.25	7.49	13.58	0.66
Total (SS)	1.28	27.21	0.47	2.42	41.85	0.05
Economic Services (ES)						
Agriculture & Allied Activities	0.52	17.18	0.09	0.03	27.39	0.17
Irrigation and Flood Control	67.96	5.39	6.46	67.37	7.95	7.09
Power & Energy	0.01	0.21	---	0.31	0.92	---
Transport	37.11	0.95	52.35	51.54	7.31	66.19
Total (ES)	35.92	8.12	8.34	44.62	15.09	7.66
Total (SS+ES)	19.41	19.27	3.74	24.61	31.51	2.99
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 continuous increase in capital expenditure since 2005-06 except in 2008-09 indicate the fact that impetus was being given to asset formation of the state. *The Operation and Maintenance expenditure (₹ 1348 crore) in 2009-10 constituted*

2.08 per cent of revenue receipts and 2.12 per cent of revenue expenditure and it was more than the TFC projection of ₹ 1247 crore.

1.7.3 Major Policy Initiatives

The State Government, while presenting the Budget for 2009-10, 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. The Government continued the scheme of providing scholarships to aid children who are economically backward irrespective of their caste/religion/sect and provided ₹ 350 crore to the Education Department for the scheme. With a view to promoting industrialization, government made a provision of ₹ 278.64 crore towards incentives for industrial promotion. With the intention to provide basic amenities to the people living in urban areas, government has taken proactive steps to access the flagship programme of Government of India, Jawaharlal Nehru National Urban Renewal Mission (JNNURM). Government also made a provision of ₹ 37 crore to improve the quality of water supply in slum areas of twin cities of Hyderabad and Secunderabad. The major policy initiatives of the Government and budget provision vis-à-vis actual expenditure on these schemes during 2009-10 are given in **Table 1.12**.

Table 1.12: Major policy initiatives, budget provision and expenditure

(Rupees in crore)

Sl. No.	Name of the Scheme	Budget provision during 2009-10	Expenditure during 2009-10	Percentage of expenditure to provision
1	Abhaya Hastham	62.50	153.55	245.68
2	Tuition fee reimbursement to Economically Backward Classes	350.00	187.92	53.69
3	Housing (Indiramma, IAY, RAY etc.,)	1750.00	1371.72	78.38
4	Incentives for Industrial Promotion	278.64	187.93	67.44
5	AP Road Sector Project	200.00	149.97	74.99
6	Water supply in slum areas of Twin cities	37.00	29.86	80.70
7	JNNURM	1909.75	1545.77	80.94
(i)	Urban Infrastructure and Governance	664.94	394.13	59.27
(ii)	Basic Services for urban poor	325.66	320.17	98.31
(iii)	Urban Infrastructure Development Scheme for small and medium towns	755.95	699.28	92.50
(iv)	Integrated Housing and slum Development Programme	163.20	132.19	81.00

A major policy initiative of the Government was to complete 38.22 lakh houses sanctioned up to 2008-09 and 71251 houses sanctioned in 2009-10 under “Indiramma” scheme to create a hut-free state. However, Government spent ₹ 1372 crore (78 per cent) out of the budget provision of ₹ 1750 crore and completed 7.52 lakh houses. Out of the balance 31.41 lakh houses, 15.70 lakh were not started at all and 15.71 lakh were at various stages of construction.

Government spent ₹ 188 crore (67 per cent) out of the provision of ₹ 279 crore under incentives for industrial promotion. Under Integrated Housing and Slum Development Programme under JNNURM, only 6421 houses (37 per cent) were completed against the target of 17554 houses. The Government surrendered the total provision of ₹ 350 crore under Higher Education for post matric scholarships, tuition fee reimbursement to economically backward class students. Government, however spent ₹ 187.92 crore out of savings in BC Welfare grant and covered only 1.75 lakh out of 2.80 lakh eligible applicants. Out of the provision (₹ 37 crore) made to improve the quality of water supply in slum areas of twin cities, an expenditure of ₹ 30 crore (81 per cent) was incurred. Of the target of extending water supply lines to 86 km, lines were extended up to 51 km only.

1.8 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.

1.8.1 Incomplete Projects

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. The department wise position of incomplete projects, each costing above rupees one crore and due for completion are detailed in **Table 1.13**. The details of major and medium irrigation projects are given in *Appendix 1.7*

Table 1.13: Department-wise profile of incomplete projects/works

(Rupees in crore)

Nature of works	No. of incomplete Projects	Original cost	Revised total cost of projects	Cost over run	Cumulative Expenditure as on 31-03-2010
Irrigation and Command Area Development Department					
Irrigation Projects	46	41847.64	63506.52 (34 projects)	27140.46 (34 projects)	35886.93
Roads and Bridges Department					
Roads and Bridges	117	351.14	222.05 (18 projects)	91.84 (18 projects)	238.15
Panchayati Raj and Rural Development Department					
Roads	41	103.15	8.53 (4 projects)	2.73 (4 projects)	38.73
Buildings	2	3.00	--	--	1.01
Total	206	42304.93	63737 (56 projects)	27235.03 (56 projects)	36164.82

As per the information provided by the Government 206 projects/works on which an expenditure of ₹ 36164.82 crore was incurred, were not completed as at the end of March 2010 though the stipulated period of completion was over. Further, of the 206 incomplete projects/works, the original cost of 56 projects/works was revised by the Government which amounted to ₹ 27235.03 crore. Non-completion of these projects/works within the stipulated period not only resulted in increase in cost etc, but also deprived the state of intended benefits for a long time.

1.8.2 Investment and returns

As of 31 March 2010, Government had invested ₹ 6003.31 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (Table 1.14). The average return on this investment was 0.50 per cent in the last five years while the Government paid average interest rate⁹ of 8.37 per cent on its borrowings during 2005-10.

Table-1.14: Return on investment

Investment/Return/ Cost of Borrowings	2005-06	2006-07	2007-08	2008-09	2009-10
Investment at the end of the year (Rupees in crore)	5715.89	5776.17	5931.42	5978.90	6003.31
Return (Rupees in crore)	45.88	47.40	11.95	18.78	22.77
Return (<i>per cent</i>)	0.80	0.82	0.20	0.31	0.38
Average rate of interest on Government borrowing (<i>per cent</i>)	9.11	8.76	8.25	7.88	7.86
Difference between interest rate and return (<i>per cent</i>)	8.31	7.94	8.05	7.57	7.48

⁹ see glossary at page 98

The investment of State Government as at the end of March 2010 included ₹ 3685 crore in 52 Government Companies, ₹ 1246 crore in 74 Cooperative Banks and Societies, ₹ 985 crore in four Statutory Corporations, ₹ 59 crore in 37 Joint Stock Companies and ₹ 28 crore in two Rural Banks. During 2009-10, Government invested ₹ 29.27 crore in Government Companies and Cooperative Institutions and disinvested ₹ 4.86 crore in Cooperative Institutions. On the investments made, Government earned a return of ₹ 22.77 crore in 2009-10 which is more than that of 2008-09 by ₹ 3.99 crore. The return on investment was very low at less than one *per cent* during 2005-10 while the average rate of interest paid during the period was 8.37 *per cent*. *The difference between average interest rate and return was 7.48 per cent resulting in a notional loss of ₹ 449 crore in 2009-10.*

1.8.3 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 is given in **Appendix 1.8**. The following are the observations:

- An amount of ₹ 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 ₹ 0.12 crore on ₹ 0.12 crore invested.

In spite of constant pursuance by the Accountant General (C&RA), Government neither initiated action against defaulting management nor took effective steps to improve the position. Thus the accountability of the managements and Government in respect of public funds invested and spent by these undertakings could not be ensured.

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.

1.8.4 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 1.15** presents the outstanding loans and advances as on 31 March 2010, interest receipts vis-à-vis interest payments during the last three years.

Table-1.15: Average interest received on loans advanced by the State Government

(Rupees in crore)

Quantum of Loans/Interest Receipts/Cost of Borrowings	2007-08	2008-09	2009-10	
			BE	Actual
Opening Balance	10648	13378	-	16421
Amount advanced during the year	2921	3413	856	1590
Amount repaid during the year	191	370	275	143
Closing Balance	13378	16421		17868
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	NA	NA		NA
Net addition	2730	3043	581	1447
Interest Receipts	44	21	97	32
Interest receipts as <i>per cent</i> to outstanding Loans and Advances	0.33	0.13	-	0.18
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	7.79	7.54	-	7.44
Difference between interest receipts and interest payments (<i>per cent</i>)	(-7.46)	(-7.41)	-	(-7.26)

Loans advanced during the current year (₹ 1590 crore) decreased by ₹ 1823 crore (53.41 *per cent*) over the previous year (₹ 3413 crore), while the loans repaid decreased by ₹ 227 crore (61.35 *per cent*). Loans outstanding at the end of the year (₹ 17868 crore) increased by ₹ 1447 crore over the previous year. Urban Development Authorities (₹ 572 crore) and State Housing Corporation (₹ 537 crore) were the major recipients of the loans during the current year. At the end of 2009-10 recovery of ₹ 23882 crore (Principal: ₹ 15154 crore and Interest: ₹ 8728 crore) was due from Municipalities, Local Bodies, Panchayat Raj institutions etc., the details of which are kept by the Principal Accountant General (A&E). Of these, recovery of ₹ 16191 crore (Principal: ₹ 8153 crore and Interest: ₹ 8038 crore) was outstanding for more than three years. Out of the total loans of ₹ 2201 crore outstanding against Andhra Pradesh State Electricity Board at the end of January 1999, loans amounting to ₹ 561 crore are overdue.

1.8.5 Cash balances and investment of Cash balances

Table 1.16 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table-1.16: Cash balances and investment of cash balances

(Rupees in crore)

Particulars	As on 1 st April 2009	As on 31 st March 2010	Increase/ Decrease
Cash Balances	4972.95	5982.85	1009.90
Investments from Cash Balances (a to d)	2283.93	2274.10	(-)9.83
a. GOI Treasury Bills	2283.93	2274.10	(-)9.83
b. GOI Securities	---	---	---
c. Other Securities	---	---	---
d. Other Investments	---	---	---
Fund-wise break-up of Investment from Earmarked balances (a to c)	2972.67	3674.23	701.56
a. Sinking Fund	2419.58	3063.36	643.78
b. Guarantee Redemption Fund	539.34	597.12	57.78
c. Other Funds	13.75	13.75	---
Interest realized	346.32	377.27	30.95

The closing cash balance (CB) at the end of the current year (₹ 5982.85 crore) increased by ₹ 1009.90 crore over previous year (₹ 4972.95 crore). The CB was invested in GOI Treasury Bills (₹ 2274.10 crore) and Earmarked funds (₹ 3674.23 crore) on which interest of ₹ 127.84 crore and ₹ 249.43 crore respectively was earned during the year. The rates of interest earned on these investments worked out to 5.61 per cent and 7.51 per cent respectively against the average market borrowing rate of 7.86 per cent.

The State Government maintained the minimum cash balance of ₹ 3.32 crore with RBI on 364 days and resorted to Ways and Means Advance of ₹ 33 crore on one day.

1.9 Assets and Liabilities

1.9.1 Growth and composition of assets and liabilities

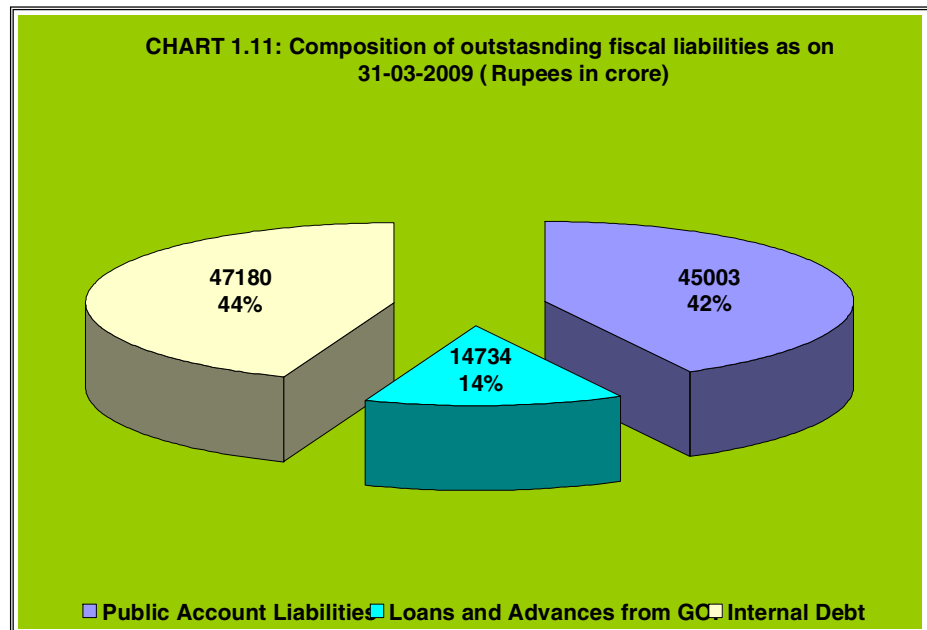
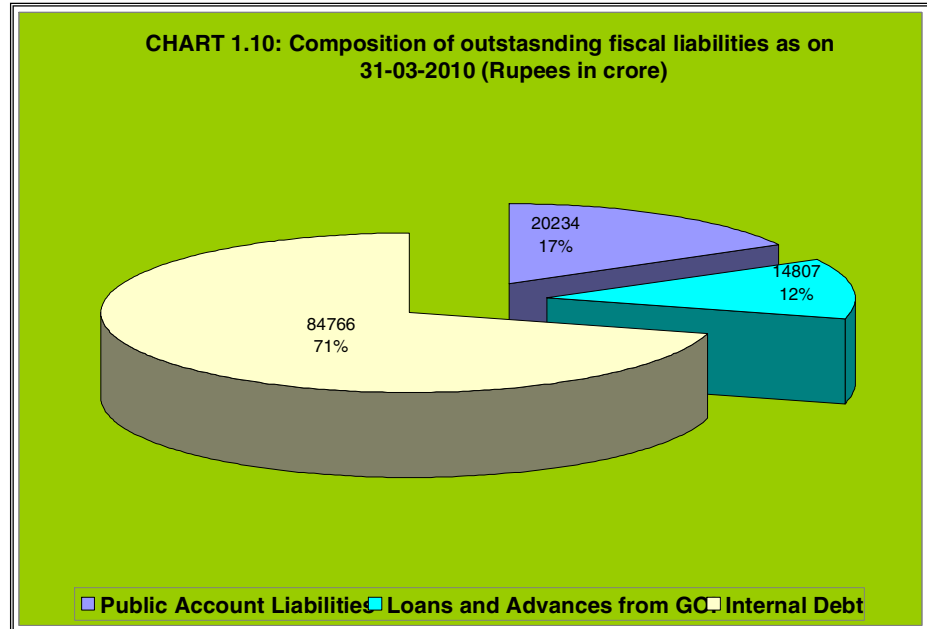
In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.5** gives an abstract of such liabilities and the assets as on 31 March 2010, compared with the corresponding position on 31 March 2009. 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”.

1.9.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. The composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 1.10** and **1.11**.



The total fiscal liabilities of the State increased by ₹ 45519 crore (61 per cent) over a period of five years from ₹ 74288 crore at the end of 2004-05

to ₹ 119807 crore in 2009-10. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liabilities (₹ 99573 crore) comprised of market loans (₹ 51623 crore), Loans from NSSF (₹ 25198 crore), Loans and advances from GOI (₹ 14807 crore) and other loans (₹ 7945 crore). The Public Account liabilities (₹ 20234 crore) comprised of Small Savings and Provident Fund (₹ 8433 crore) and other obligations (₹ 11801 crore). The fiscal liabilities at the end of 2009-10 (₹ 119807 crore) increased by ₹ 12890 crore (12 per cent) over previous year (₹ 106917 crore) and stood at 1.85 times of revenue receipts.

Total fiscal liabilities as defined in FRBM Act work out to ₹ 123863 crore¹⁰ at the end of the current year and stood at 30.11 per cent of GSDP against a ceiling of 35 per cent prescribed in FRBM Act. However, since the 13th Finance Commission has recommended that all States should bring down their fiscal liability to 25 per cent of GSDP by 2014-15, the State Government may adopt a suitable strategy to achieve this target. 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 ₹ 3151 crore and ₹ 597 crore respectively.

1.9.3 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 1st 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 ₹ 58.88 crore (contribution: ₹ 16.57 crore and interest on investment: ₹ 42.31 crore) had been credited to the fund during 2009-10 and the entire balance of ₹ 597.12 crore was invested.

As per Statement No. 9 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 1.17**.

¹⁰ Consolidated Fund and Public Account liabilities (₹ 119807 crore), outstanding guarantees to be serviced out of state budget (₹ 2719 crore) and outstanding off budget borrowings (₹ 1337 crore)

Table-1.17: Guarantees given by the Government of Andhra Pradesh

(Rupees in crore)

Guarantees	2007-08	2008-09	2009-10	
			BE	Actuals
Maximum amount guaranteed	18798	29990	29689	20324
Outstanding amount of guarantees	14502	15239	13751	13135
Percentage of maximum amount guaranteed to total revenue receipts	34.72	47.71	17.41	31.42
Criteria as per FRBM Act (The annual incremental risk weighted guarantees is to be limited at 90% of the revenue receipts in the year preceding the current year)	(-) 10362	11192(21)	--	(-)9666

The maximum amount guaranteed at the end of 2009-10 (₹ 20324 crore) decreased by ₹ 9666 crore over previous year (₹ 29990 crore). The decrease was mainly under AP TRANSCO (₹ 8058 crore) and Cooperative Banks and Societies (₹ 1831 crore). In the current year Government received ₹ 2.44 crore as guarantee commission.

1.9.4 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

Out of the off-budget borrowings of ₹ 2230.59 crore raised by the APTRANSCO through Adjustment Bonds, private placement and Banks during 2001-09, Government repaid ₹ 893.59 crore up to 2008-09 leaving a balance of ₹ 1337 crore. Government neither raised nor repaid off-budget borrowings during the current year. However, Government paid interest of ₹ 115.07 crore during 2009-10. Government also paid arrangers fee of ₹ 90.68 lakh to the financial institutions for mobilizing subscriptions to the bonds worth ₹ 975 crore raised during 2005-08.

The total liabilities of the State comprising fiscal liabilities (₹ 119807 crore), off-budget borrowings (₹ 1337 crore) and outstanding guarantees including interest at the end of March 2010 (₹ 13135 crore) were ₹ 134279 crore which as a ratio of GSDP stood at 32.64 *per cent*, less than the ceiling of 35 *per cent* prescribed in FRBM Act.

1.10 Debt sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability¹¹ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation¹²; sufficiency of non-debt receipts¹³; net availability of borrowed funds¹⁴; 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 2005-06.

Table 1.18: Debt sustainability: Indicators and trends

Indicators of Debt Sustainability	2005-06	2006-07	2007-08	2008-09	2009-10
Debt Stabilisation (Quantum Spread + Primary Deficit) (Rupees in crore)	4301	7149	10024	9363	6474
Sufficiency of Non-debt Receipts (Resource Gap) (Rupees in crore)	(-) 108	(+) 2657	(-) 3143	(-) 3710	(-) 1603
Net Availability of Borrowed Funds (Ratio)	(-) 0.07	(-) 0.01	0.13	0.03	0.07
Burden of Interest Payments (IP/RR Ratio)	0.21	0.17	0.14	0.13	0.14

The quantum spread together with primary deficit has been positive for the last five years resulting in decline in Debt/GSDP ratio from 0.33 in 2005-06 to 0.29 in 2009-10. 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 2007-10 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 during 2005-09 mainly due to lower rate of borrowing and the debt relief being extended by Government of India under FRBM Act. However, it increased during 2009-10 as the debt relief extended during 2008-09 was withdrawn during the current year by Government of India. The maturity profile of State debt is given in **Table 1.19**.

¹¹ see glossary at page 98

¹² see glossary at page 98

¹³ see glossary at page 98

¹⁴ see glossary at page 98

Table 1.19: Maturity Profile of State Debt*(Rupees in crore)*

Maturity profile	Amount	Percentage
0 – 1	3808.01	4.52
1 – 3	10604.72	12.59
3 – 5	10049.64	11.94
5 – 7	9026.70	10.72
7 and above	50723.07	60.23
Total	84212.14	100.00

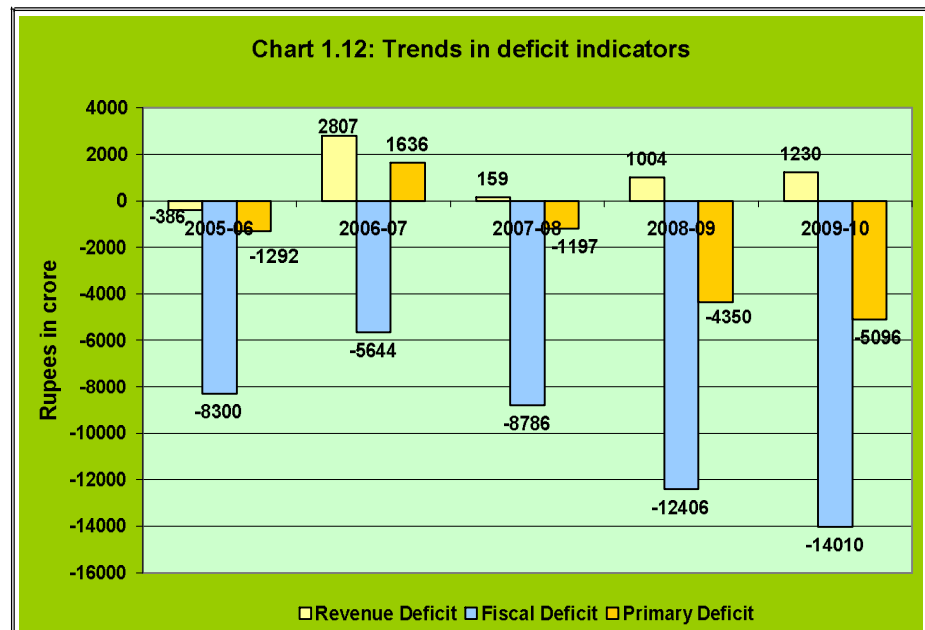
In none of the last five years there was fiscal surplus. To discharge the expenditure obligations the Government will have to borrow further unless there is adequate fiscal surplus.

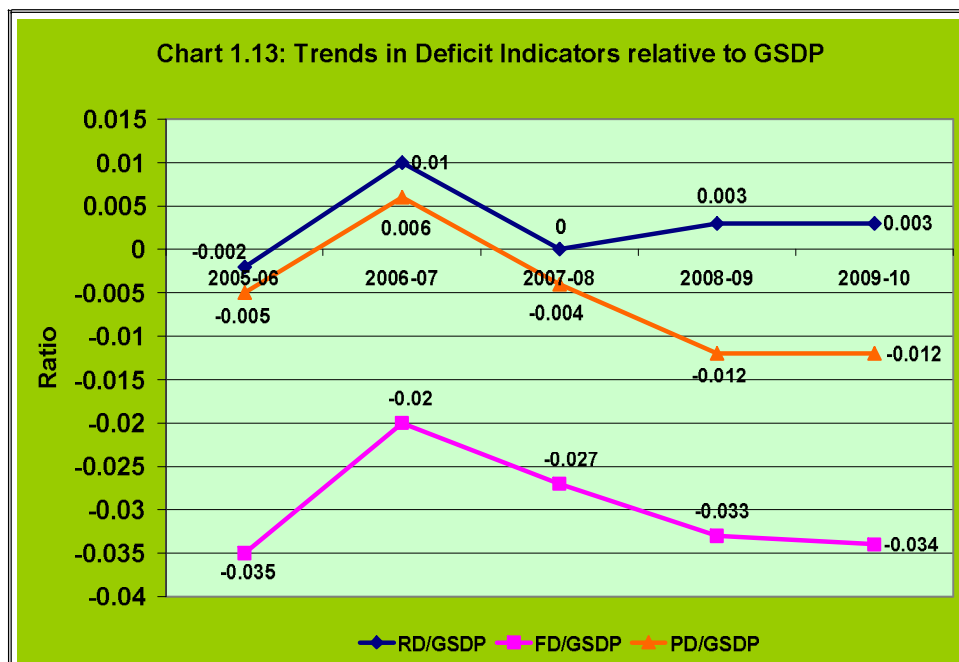
1.11 Fiscal imbalances

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 2009-10.

1.11.1 Trends in deficits

Charts 1.12 and 1.13 present the trends in deficit indicators over the period 2005-10.





There was revenue surplus for the fourth consecutive year from 2006-07 to 2009-10. During the current year surplus (₹ 1230 crore) increased by ₹ 226 crore over previous year (₹ 1004 crore). Fiscal deficit with inter-year variations increased to ₹ 14010 crore in 2009-10 from ₹ 12407 crore in 2008-09 registering an increase of ₹ 1603 crore (13 per cent). Primary deficit increased for the third consecutive year and was ₹ 746 crore (17 per cent) more than that of the previous year. 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 during the current year was 3.41 per cent of GSDP as against 3.29 per cent during 2008-09. However the fiscal deficit was within the relaxed limit of 4.0 per cent for 2009-10.

Though there was increase in capital expenditure (₹ 3426 crore) and revenue expenditure (₹ 1594 crore), disbursement of loans and advances decreased (₹ 1824 crore) resulting in fiscal deficit of 3.41 per cent of GSDP. While the revenue surplus increased by ₹ 730 crore, the fiscal deficit increased by ₹ 5910 crore over the projections of FRBM Act.

1.11.2 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	2005-06	2006-07	2007-08	2008-09	2009-10
Decomposition of Fiscal Deficit					
Revenue Deficit/Surplus	(-)386	(+)2807	(+)159	(+)1004	(+)1230
Net Capital Expenditure	(-)7340	(-)8015	(-)6216	(-)10367	(-)13793
Net Loans and Advances	(-)574	(-)436	(-)2729	(-)3044	(-)1447
Financing Pattern of Fiscal Deficit					
Market Borrowings	(-)1239	(+)1173	(+)6182	(+)10911	(+)13403
Loans from GOI	(-)85	(-)875	(-)43	(-)391	(+)73
Small Savings, PF etc (Cr)	(+)5338	(+)4716	(+)940	(+)570	(+)961
Reserve Funds (Cr)	(+)33	(+)19	(+)252	(+)271	(-)113
Deposits and Advances (Cr)	(+)1223	(+)2042	(+)3416	(-)1812	(-)1437
Suspense and Misc. (Dr)	(+)2422	(-)1590	(-)2828	(+)4405	(-)1
Remittances (Cr)	(+)234	(-)34	(+)943	(-)1621	(+)1435
Others (Contingency Fund)	(-)1	(+)1	(-)1	(-)6	(+)7
Overall Surplus/Deficit	(+)375	(+)192	(-)75	(+)80	(-)318

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

1.11.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit¹⁵ 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.

¹⁵ see glossary at page 98

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 ¹⁶	Primary revenue deficit(-)/surplus(+)	Primary deficit(-)/surplus(+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
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
2009-10	64821	54534	13793	1590	69917	(+)10287	(-)5096

The ratio of revenue deficit to fiscal deficit which declined in 2005-06 turned into surplus in the next four successive years. This trend shows a continuous improvement in the quality of the deficit during the period 2005-10. The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2005-10 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 2005-10 except in 2006-07. This indicates the extent to which enhancement in capital expenditure resulted in primary deficit.

1.12 Conclusions and Recommendations

Fiscal position of the State viewed in terms of the key fiscal parameters – revenue, fiscal and primary deficits – indicated deterioration in 2009-10 relative to the previous year. Though the revenue surplus has improved during 2009-10 by ₹ 226 crore, fiscal and primary deficits have increased by ₹ 1603 crore and ₹ 746 crore respectively over previous year. 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 3.41 per cent as against 3 per cent recommended by TFC, but it is within the target of 4 per cent fixed by the GOI for 2009-10 (Para 1.11.1).

Own tax and non-tax revenue during the current year (₹ 42979 crore) decreased marginally by ₹ 62 crore over previous year (₹ 43041 crore) but was higher than the normative assessment of TFC (₹ 38355 crore) as well as the targets set in its FCP (₹ 40856 crore) for the year. There was a shortfall of ₹ 1944.91 crore during 2005-10 in the receipts under debt waiver scheme than the assessment made by the TFC as the State Government could not satisfy all the conditions for sanction of debt relief. Revenue arrears increased significantly to ₹ 12154 crore from ₹ 6508 crore up to the previous year (Para 1.5).

¹⁶ see glossary at page 98

The **expenditure pattern** of the State reveals that the revenue expenditure as a percentage of total expenditure though indicated a declining trend up to 2007-08, increased to 82 *per cent* in 2008-09 and declined marginally to 80 *per cent* of total expenditure during the current year. The NPRE component at ₹ 48006 crore exceeded significantly both the normative projections of the TFC for the State (₹ 38068 crore) and State's projections in its FCP (₹ 40140 crore) for 2009-10. The committed expenditure on salaries and wages, pensions, interest payments and subsidies constituted 81 *per cent* of NPRE during 2009-10. These trends in expenditure indicate the need for changing allocative priorities (Para 1.6).

The **capital expenditure** in 2009-10 increased by ₹ 3426 crore over previous year and constituted 17.5 *per cent* of total expenditure. It was more than the projections of FCP at 3.35 *per cent* of GSDP but less than the projections (₹ 17500 crore) made in Macro Economic Fiscal Statement for 2009-10 (Para 1.6). The progressive capital expenditure at the end of March 2010 includes ₹ 36165 crore (39 *per cent*) blocked on incomplete/partially completed projects (Para 1.8.1). Government gave adequate priority to capital expenditure since the ratio of capital expenditure to aggregate expenditure in the State was better than the average of general category States.

Total **fiscal liabilities** at the end of the current year work out to ₹ 123863 crore and stood at 30.11 *per cent* of GSDP against the ceiling of 35 *per cent* prescribed in FRBM Act. However, since the 13th Finance Commission has recommended that all States should bring down their fiscal liability to 25 *per cent* of GSDP by 2014-15, the State Government may adopt a suitable strategy to achieve this target (Para 1.9.2). 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 (Para 1.10).

The negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances is a cause for concern (Para 1.8.2).

The closing cash balance significantly increased at the end of 2009-10. Holding large cash balance investment of ₹ 5948 crore which earned interest at 6.34 *per cent* against the average interest rate of 7.86 *per cent* on market borrowings was not a prudent cash management (Para 1.8.5).

During 2009-10, GOI directly transferred ₹ 6964 crore to the State implementing agencies without routing through the budget. There is no single agency monitoring the expenditure out of these funds (Para 1.4.2).

The inordinate delays in completion of 46 major and medium irrigation projects leading to cost escalation of ₹ 27140 crore is also a major area of concern for the State Government (Para 1.8.1).

Recommendations:

- *Government should initiate suitable measures to reduce the non-plan revenue expenditure, so that more funds are available for asset creation.*
- *Government may prepare an action plan to complete all irrigation projects in a time frame so that people derive envisaged benefits in time.*
- *The State Government should identify Projects which are justified on account of low financial but high socio-economic return and prioritized with full justification for the high-cost borrowings.*
- *Government needs to further reduce the fiscal liabilities by a better debt management. Proper debt management through advanced planning could also 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.*
- *A system has to be put in place to ensure proper accounting of funds transferred directly by the GOI and the updated information should be validated by the State Government as well as the Principal Accountant General (A&E).*

Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

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, surrender 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.

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 laws, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-10 against 40 grants/appropriations is as given in **Table 2.1**.

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

<i>(Rupees in crore)</i>						
	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	67632.32	5506.68	73139.00	55870.36	(-) 17268.64
	II Capital	17974.06	1077.07	19051.13	14576.42	(-) 4474.71
	III Loans and Advances	866.36	901.49	1767.85	1589.81	(-) 178.04
Total Voted		86472.74	7485.24	93957.98	72036.59	(-) 21921.39
Charged	IV Revenue	9220.47	8.86	9229.33	8999.27	(-) 230.06
	V Capital	108.70	7.44	116.14	9.45	(-) 106.69
	VI Public Debt- Repayment	8084.48	--	8084.48	6277.00	(-) 1807.48
Total Charged		17413.65	16.30	17429.95	15285.72	(-) 2144.23
Appropriation to Contingency Fund		--	--	--	--	--
Grand Total		103886.39	7501.54	111387.93	87322.31	(-) 24065.62

* These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure (₹ 1421.70 crore) and capital expenditure (₹ 792.82 crore).

Note: At the end of June 2010 Detailed Contingent bills were not received as required under rules from Drawing and Disbursing Officers in support of ₹ 1209.19 crore drawn on Abstract Contingent bills during 2009-10. In the absence of Detailed Contingent bills, the genuineness of the expenditure could not be vouched. The total expenditure stands inflated to that extent.

The overall saving of ₹ 24065.62 crore was the result of saving of ₹ 24175.36 crore in 38 grants and 14 appropriations under Revenue Section, 23 grants and three appropriations under Capital Section and 10 grants and one appropriation (Public Debt) under Loans Section, offset by excess of ₹ 109.74 crore in two grants and two appropriations under Revenue Section, five grants under Capital Section and three grants under Loans Section.

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-à-vis allocative priorities

The appropriation audit reveals that, in 20 cases, saving exceeded ₹ 100 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.1**). Against the total saving of ₹ 24175.36 crore, saving of ₹ 6016.29 crore (24.89 per cent) occurred in three grants as indicated in **Table 2.2**.

Table 2.2: List of grants with large saving

<i>(Rupees in crore)</i>						
S.No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving
Revenue - Voted						
1	XVII - Municipal Administration and Urban Development	3825.72	467.56	4293.28	2278.02	2015.26
2	XXXV - Energy	6086.40	--	6086.40	3249.80	2836.60
3	XXXVIII - Civil Supplies Administration	3710.49	0.07	3710.56	2546.13	1164.43
Total						6016.29

The Saving under Revenue Section of Municipal Administration and Urban Development grant was mainly due to treating the expenditure (i) towards Godavari Water Supply in Greater Hyderabad Municipal Corporation area as a loan to Hyderabad Metropolitan Water Supply and Sewerage Board and (ii) towards Outer Ring Road Project as loan to Hyderabad Metropolitan Development Authority.

The saving in Energy grant mainly occurred under assistance to Transmission Corporation of AP (APTRANSCO) (₹ 2827.60 crore) and in Civil Supplies Administration grant under subsidy on rice (₹ 1150 crore). However, no specific reasons were intimated for the savings in these grants.

2.3.2 Persistent savings

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

Table 2.3: List of grants/appropriations indicating persistent savings during 2005-10

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Amount of saving				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue -Voted						
1	XVIII – Housing	110.27	407.29	341.95	801.71	374.16
2	XXXVI - Industries and Commerce	140.05	151.69	165.40	287.74	582.38
3	XXXVII – Tourism, Art and Culture	31.35	65.87	74.13	55.18	38.16
Capital -Voted						
4	V – Revenue, Registration and Relief	28.50	36.54	36.59	60.30	22.98
5	XXI – Social Welfare	146.39	175.71	109.39	434.29	102.29
Loans -Voted						
6	IX - Fiscal Administration, Planning, Surveys and Statistics	37.70	37.90	25.91	29.18	51.56
7	XXXV - Energy	431.53	32.46	183.31	360.59	152.00
Capital - Charged						
8	XXXIII – Major & Medium Irrigation	74.21	51.95	69.04	112.27	96.96

Persistent savings under Industries and Commerce were stated to be mainly due to non-release of central share by GOI, non-receipt of administrative sanctions, no requirement towards reimbursement of Purchase Tax Incentives and 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.

Saving under Housing grant was mainly due to providing equal amount under Rural Development for construction of rooms for Grama Aikhya Sangams and Grama Sachivalaya buildings under Panchayat Raj department, abolition of PMGM scheme by Government of India after first quarter (2005-06) and assistance to AP Housing Board for allotment of housing board land to AP Congress Committee for construction of State headquarters' office of the Indian National Congress Committee.

Saving under Tourism, Art & Culture grant was mainly due to non-materialization of action plan and non-receipt of administrative sanction, delay in calling the tenders through e-process for archaeological conservation and making provision towards construction of multi-purpose cultural complexes at Kadapa and Nellore.

Saving under Revenue, Registration and Relief grant was due to non-construction of buildings and non-taking up of construction works under National Cyclone Risk Mitigation Project.

Saving under Social Welfare grant was due to requirement of additional funds under other sub-heads for maintenance of schools functioning under DPIP & APRPRP projects, establishment of hostels, loan to AP Backward Classes Co-operative Finance Corporation and maintenance of schools.

Persistent saving under Fiscal Administration, Planning, Surveys and Statistics was 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 Andhra Pradesh Power Generation Corporation (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.

No specific reasons for the saving were intimated under Major and Medium Irrigation grant.

2.3.3 Excess disbursement

In three cases, excess disbursement aggregating ₹ 94.99 crore exceeded the approved provision by ₹ 10 crore or more in each case (Table 2.4).

Table 2.4: Excess disbursement

(Rupees in crore)

Sl. No.	Grant No.	Name of the Grant	Total Grant	Disbursement	Excess Disbursement
1	XI	Roads, Buildings and Ports (Loans Voted)	34.27	74.20	39.93
2.	XVII	Municipal Administration and Urban Development (Loans Voted)	815.00	859.91	44.91
3.	XIX	Information and Public Relations (Revenue Voted)	212.55	222.70	10.15
Total			1061.82	1156.81	94.99

Sanctioning of more loans to APSRTC than the provision resulted in excess under Grant No. XI. Under Grant No. XVII, the excess was due to treating the assistance to Hyderabad Metro Development Authority for Outer Ring Road Project as loan subsequent to the passage of budget. Excess under revenue section of Grant No. XIX was mainly due to more expenditure than provision for advertisement of Government Departments in Print Media.

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 ₹ 226.98 crore was incurred in three cases (₹ 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 2009-10

(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	188.55	Non-provision of funds in the budget for transfer of amount received from Central Government to Central Road Fund.
2	- do -	5054-04-800-19	12.02	Reasons not intimated
3	- do -	5054-80-001-80	26.41	Reasons not intimated
Total			226.98	

2.3.5 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 ₹ 1709.91 crore for the years 2004-05 to 2008-09 is 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 2.6**.

Table 2.6: 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		
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	
2008-09	11	3	709.24	
Total	40	11	1709.91	

* Explanatory notes for one Grant was received and vetted

@ Explanatory notes for two Grants was received

^s Explanatory notes for the Appropriation was received and vetted

2.3.6 Excess over provision during 2009-10 requiring regularisation

Table 2.7 contains the summary of total excess in 10 grants and two appropriations amounting to ₹ 109.74 crore over authorisation from the Consolidated Fund of the State during 2009-10 which requires regularisation under Article 205 of the Constitution.

Table 2.7: Excess over provision requiring regularisation during 2009-10

(Rupees in crore)

Sl. No.	Number and name of grant/appropriation	Total grant/ appropriation	Expenditure	Excess
Revenue-Voted				
1.	III - Administration of Justice	362.18	363.03	0.85
2.	XIX - Information and Public Relations	212.55	222.70	10.15
Capital-Voted				
3.	IV - General Administration and Elections	3.52	4.30	0.78
4.	VII – Commercial Taxes Administration	0.25	4.00	3.75
5.	X – Home Administration	17.50	22.04	4.54
6.	XVII - Municipal Administration and Urban Development	1.03	1.96	0.93
7.	XXIX – Forest, Science, Technology and Environment	0.68	0.83	0.15
Loans-Voted				
8.	XI – Roads, Buildings and Ports	34.27	74.20	39.93
9.	XVI – Medical and Health	132.87	136.60	3.73
10.	XVII - Municipal Administration and Urban Development	815.00	859.91	44.91
Total Voted		1579.85	1689.57	109.72
Revenue-Charged				
1	VII – Commercial Taxes Administration	--	0.01	0.01
2.	XIII - Higher Education	--	0.01	0.01
Total Charged		--	0.02	0.02
Grand Total		1579.85	1689.59	109.74

Of the total excess (₹ 109.74 crore), 77 per cent excess occurred under Grant Nos. XI and XVII (Loans Voted section).

Excess expenditure under Grant No. III – Administration of Justice was stated to be due to additional expenditure on wages of contingent employees, Travelling Allowance of Judicial officers, conveyance charges of personal assistants, revision of property tax of court buildings in various municipalities and rents of private buildings occupied by the Judicial officers in respect of newly sanctioned courts, ex-gratia payment to legal representatives and purchase of motor car.

Reasons for excess expenditure under other grants were not intimated.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 1883.27 crore obtained in 28 cases (Rupees 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)*.

As the expenditure fell short of even the original provision, obtaining huge supplementary provision in respect of Municipal Administration and Urban Development, Backward Classes Welfare and Panchayat Raj grants proved unnecessary and the supplementary provision could have been restricted to a token provision wherever necessary.

Supplementary provision aggregating ₹ 4610.40 crore was proved excessive by ₹ 1579.95 crore over the required provision of ₹ 3030.45 crore under 10 grants (Rupees one crore or more in each case) as detailed in *Appendix 2.3 (B)*.

In four cases, supplementary provision of ₹ 969.55 crore proved insufficient by more than Rupees one crore each leaving an aggregate uncovered excess expenditure of ₹ 63.33 crore [*Appendix 2.3 (C)*].

In view of the final excess, the supplementary provision obtained proved insufficient.

2.3.8 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 216 sub-heads proved excessive or unnecessary and resulted in saving/excess of over ₹ 1 crore in each case. Major cases where the excess/saving was more than ₹ 10 crore in each case are detailed in *Appendix 2.4*.

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

(Rupees in crore)

Head of account	Saving/ Excess	Reasons
X – Home Administration		
2055-00-109-03	(+) 104.08	Reduction in the provision was mainly due to non-filling up of vacant posts (₹ 73.60 crore) and increase in the provision was mainly due to clearing of pending bills and electricity charges payable to APTRANSCO (₹ 8.22 crore). Reasons for the final excess were not furnished.
XXI – Social Welfare		
2225-01-277-06	(-) 145.31	Reasons for the reduction in the provision by ₹ 38.76 crore as well as for final saving were not furnished.
XXIII – Backward Classes Welfare		
2225-03-277-05	(-) 152.11	Reasons for the reduction in the provision by ₹ 61.61 crore as well as for final saving were not furnished.
XXXIII - Major and Medium Irrigation		
4701-01-120	(-) 427.92	Reduction in the provision by ₹ 242.17 crore was due to non-commissioning and non-grounding of works. Reasons for final saving were not furnished.
4701-01-133	(+) 320.06	Increase in the provision by ₹ 4.00 crore was due to payment of land acquisition charges under Sri Krishna Devaraya Galeru Nagari Sujala Sravanti. Reasons for the decrease in the provision (₹ 539.81 crore) and for final excess were not furnished.
4701-01-138	(-) 128.52	Increase in the provision by ₹ 65.00 crore was due to payment of work bills and land acquisition charges. Reasons for the decrease in the provision (₹ 106.99 crore) and for final saving were not furnished.
4701-01-156	(-) 108.82	Increase in the provision by ₹ 90.28 crore was due to payment of work bills, land acquisition charges and compensation. Reasons for the decrease in the provision (₹ 49.59 crore) and for final saving were not furnished.
4701-01-170	(-) 177.34	Reasons for the decrease in the provision by ₹ 3.32 crore and for final saving were not furnished.
4701-01-800	(-) 183.62	Increase in the provision by ₹ 14.23 crore was mainly due to payment of salaries to the work-charged establishment, allowances to employees, advertisement and publicity charges, for clearance of pending bills, hike in Dearness Allowance from time to time, payment of wages, water, electricity charges and salaries to outsourcing staff. Reasons for the decrease in the provision (₹ 27.35 crore) and for final saving were not furnished.

2.3.9 Unexplained re-appropriations

According to Paragraph 20.17.2 of Andhra Pradesh Budget Manual, reasons for the additional expenditure and savings 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 6597 items out of 8090 items (82 per cent), reasons given for additional

provision/withdrawal of provision in re-appropriation orders were of general nature like “actual requirement/expenditure”, “due to observance of economy measures” and “savings are anticipated”.

2.3.10 Substantial surrenders

Substantial surrender in excess of ₹ 10 crore and above and more than 50 per cent of total provision in each case were made in respect of 106 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 15631 crore in these 106 sub-heads, ₹ 12164.36 crore (78 per cent) was surrendered, which included cent per cent surrenders (₹ 2292.19 crore) in 29 sub-heads. The details of cases of more than ₹ 100 crore and above surrendered were audited/verified by Audit are given in **Appendix 2.5**. The following are the audit observations.

- As per Para 16.12 of the Budget Manual, lumpsum provision should not as a rule be made in the Budget estimates. However, lump sum 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. Specific reasons were not given for the surrenders.

(Rupees in lakh)

Sl. No.	No. and Name of the Grant	Head of Account	Budget provision	Amount Surrendered
1	IX – Fiscal Administration	2052-00-090-75	256.94	256.94
2	XII – School Education	2202-01-800-75	11.40	10.92
3	XIII – Higher Education	2202-03-001-75	8.04	8.04
4	XVI – Medical and Health	2210-01-001-75	6.00	6.00
Total			282.38	281.90

- Though a provision of ₹ 3000 crore was made for Ways and Means Advance (WMA), the Government had not availed WMA during the last four years. However, again in the current year, a provision of ₹ 3000 crore was made, of which a meagre amount of ₹ 33 crore was availed resulting in a large saving of ₹ 2967 crore.

2.3.11 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 16 cases, the amount surrendered (₹ 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 ₹ 2814.82 crore, the actual amount surrendered was ₹ 3345.85 crore, resulting in excess surrender of ₹ 510.98 crore. Details are given in **Appendix 2.6**.

2.3.12 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 2009-10, there were however, 19 grants/appropriations in which saving occurred but no part of which had been surrendered by the departments concerned. The saving in these cases was ₹ 458.06 crore constituting 1.89 per cent of the total saving (**Appendix 2.7**).

Similarly, out of the saving of ₹ 20380.43 crore under 33 grants/appropriations (unsurrendered saving of ₹ 5 crore and above in each case) ₹ 9046.54 crore (37.42 per cent of total saving) was not surrendered, details of which are given in **Appendix 2.8**. Besides, in 64 cases (surrender of funds in excess of ₹ 10 crore in each case), ₹ 14742.80 crore was surrendered (**Appendix 2.9**) on the last two working days of March 2010 indicating inadequate financial control and possible low capacity to spend and the fact that these funds could have been utilised for other development purposes where needed.

2.3.13 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 2009 was between 17 and 23 per cent of the total expenditure, it was highest at 37 per cent in the last quarter of the year. The expenditure, in the month of March 2010 alone constituted 21 per cent indicating rush of expenditure at the end of the financial year (**Table 2.8**).

Table 2.8: Rush of expenditure

Quarter ended	Expenditure (Rupees in crore)	Percentage of total expenditure
30 June 2009	12872.83	17
30 September 2009	17862.39	23
31 December 2009	18151.62	23
31 March 2010	28354.14	37
Total Expenditure	77240.98*	--
Expenditure during March 2010	16435.31	21

*represents revenue and capital expenditure

2.4 Unreconciled 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 Rules¹ 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 2009-10 also. Out of the total expenditure² of ₹ 78830.79 crore during 2009-10, expenditure amounting to ₹ 34314.22 crore (44 *per cent* of the total expenditure) was not reconciled by 255 Controlling Officers as of June 2010, of which 14 Controlling Officers did not reconcile expenditure exceeding ₹ 500 crore in each case as given in **Table 2.9**.

Table 2.9: List of controlling officers where expenditure exceeding ₹ 500 crore in each case remained un-reconciled during 2009-2010

<i>(Rupees in crore)</i>		
Sl. No.	Controlling Office	Amount not reconciled
1	Finance (2049 – Interest payments)	8913.59
2	Land Administration (2053 – District Administration)	635.53
3	Finance (2071 – Pensions & other Retirement benefits)	6337.89
4	Chief Engineer, RWS (2215 – Water Supply & Sanitation),	557.61
5	Backward Classes Welfare (2225 – Welfare of SCs, STs & OBCs)	683.92
6	Panchayat Raj (2515 – Other Rural Development Programmes)	634.54
7	Panchayat Raj & Rural Development – Secretariat (2515 – Other Rural Development Programmes)	585.96
8	Admn.-cum-Chief Engineer, SRSP (2701 – Major & Medium Irrigation)	550.79
9	Chief Engineer, Tungabhadra Project (4701 – Capital Outlay on Major & Medium Irrigation)	1088.50
10	Chief Engineer, Roads & Buildings (5054 – Capital Outlay on Roads & Bridges)	1326.39
11	Planning, Secretariat department (5475 – Capital Outlay on Other General Economic Services)	508.50
12	Secretary to Government, Planning department (5475 – Capital Outlay on Other General Economic Services)	507.12
13	Director, Medical Education (6210 – Loans for Medical & Public Health)	845.43
14	Director of Town & Country Planning (6217 – Loans for Urban Development)	572.40

Further, every Controlling Officer should obtain regular accounts and returns from his subordinates for the amounts realised by them and paid

¹ Article 9 of the Andhra Pradesh Financial Code

² includes revenue, capital and loans and advances

into the treasury and compare the figures with the accounts received from the Accountant General and reconcile any differences as early as possible before the accounts of the year are closed. However, receipts amounting to ₹ 63175 crore, 98 *per cent* of total revenue receipts during 2009-10 under 45 heads were not reconciled by the concerned Controlling Officers. Similarly, out of total repayment of loans (₹ 143 crore) during 2009-10, ₹ 138 crore (97 *per cent*) was not reconciled under 14 heads as of June 2010.

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 ₹ 50 crore.

During 2009-10, ₹ 7.89 crore was drawn from the CF of which ₹ 0.43 crore remained un-recouped³ at the end of the year. Instances of unnecessary drawal of advances from CF were noticed as under:

Irregular drawal of advance from Contingency Fund

(i) The High Court of AP issued orders in February 2006 to the Revenue Divisional Officer, Sangareddy to deposit an amount of ₹ 1.52 crore towards decretal charges in respect of land acquisition in Sangareddy mandal (Medak district) for establishing Ordinance Factory (OP No. 553/87). The amount was neither deposited in the court immediately nor a provision made in the Budget/ Supplementary Estimates for the years 2007-08 to 2009-10. The amount was sanctioned from Contingency Fund during March 2010 and paid in May 2010. The expenditure could not be considered as unforeseen or urgent in nature as three years had lapsed since the issue of court orders and hence the drawal of advance from Contingency Fund was irregular.

(ii) The High Court of AP issued orders in July 2000 to the Chief Engineer, R&B department (ADB & CAD) to pay 80 *per cent* of the land compensation to land owners in respect of land acquisition in Chevella Revenue Division, RR district, for widening of Hyderabad-Karimnagar-Ramagundem road (WP No. 3882 of 1996). The amount was neither deposited in the court immediately nor provision made in the Budget/ Supplementary Estimates for the years 2001-02 to 2008-09. Instead ₹ 1.66 crore was drawn from the Contingency Fund in September 2009 and deposited with the RDO, Chevella (RR District) in January 2010 for making payment to the land owners which was irregular as the expenditure could have been included in the Budget/Supplementary Estimates.

³ includes ₹ 0.02 crore pertaining to 2008-09

2.6 Errors in Budgeting process

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

- Though the omissions/errors in the budget process are pointed out every year to the Finance department by the Principal Accountants General (A&E) and (Civil Audit) the corrections to List of Major and Minor Heads (LMMH) made by the Controller General of Accounts from time to time are not being incorporated by the State Government in the Budget Estimates for the years subsequent to year of issue of correction slips⁴. This may cause distortion in the annual accounts of the State and lead to incorrect assessment of the State's financial position by the Planning Commission, Finance Commission, Comptroller and Auditor General of India, etc.
- State Government is in receipt of assistance from Government of India each year towards maintenance of Central Road Fund of the State and for National Road Development activities in the form of grant under MH 1601. Necessary budget provision under relevant revenue expenditure major heads [e.g. MH 3054-04-797-SH (04)] for its eventual transfer to MH 8449-Other Deposits-103 Subvention from Central Road Fund is to be made by the State Government.

Necessary budget provision is also to be made under minor head 902 MH 5054 Capital Outlay on Roads and Bridges to adjust the initial expenditure incurred under the above head, finally to the Central Road Fund. However, no budget provision was made in the budget estimates for the last five years giving without any justifiable reasons.

Similarly the total cess collected and booked under MH 0515-800-SH (05) in the preceding year is required to be transferred to A.P. Rural Development fund by making a suitable provision under MH 2515-797-SH (04) in Grant No. XXXI - Panchayat Raj. However, no such provision was made in the Budget Estimates 2009-10 under MH 2515 by the Government.

Such non-provision of budget could seriously affect the presentation of accounts.

- A provision of ₹ 763.28 crore was made in the budget for 2009-10 under Revenue Section of Grant No. XVII – Municipal Administration and Urban Development towards assistance to Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB) (₹ 325 crore) and Hyderabad Metropolitan Development Authority (₹ 378.28 crore) for Godavari Water

⁴ Correction slip Nos. 382 and 383 dated 23-11-2000; 417 dated 16-01-2002; 444 dated 01-10-2002; 446 dated 22-10-2002; 506 to 515 dated 13-05-2004

Supply and for implementation of sewage master plan and Outer Ring Road Project in twin cities. However, Government decided to treat the assistance as loan to HMWS&SB and obtained supplementary provision for the purpose under Loans Section of the Grant resulting in huge saving under Revenue Section. Similarly, provision of ₹ 2312.50 crore was made in the budget 2009-10 for five projects⁵ under Revenue Section. During the course of the financial year Government transferred the expenditure of ₹ 1420.13 crore booked against these projects to Capital Section without budget provision resulting in huge saving under Revenue Section and excess under Capital Section.

2.7 Outcome of review of selected grants

A detailed review of Budgetary procedures and expenditure controls in two grants viz., Social Welfare (Demand No. XXI) and Energy (Demand No. XXXV) for the year 2009-10 revealed the following:

2.7.1 Budget procedures

Social Welfare Department

- Certificate of reconciliation issued by Principal Accountant General (A&E) was not appended to the departmental estimates in token of reconciliation of differences between departmental figures and PAG (A&E) by the HODs⁶.
- A provision of ₹ 3.53 crore was included by the Commissioner of Social Welfare in the budget estimates 2009-10 in respect of 620 posts which were not sanctioned by the Government.
- Budget estimates were submitted to the Finance/Administrative Departments by the HODs with a delay ranging from 12 days to 65 days.
- Number statements were submitted to the Finance Department by the HODs with a delay ranging from 82 days to 501 days.
- Huge saving of ₹ 459.19 crore (27 per cent of total provision) under Revenue and Capital Sections of the grant shows that the estimates were prepared without proper scrutiny as required under para 18.1 of AP Budget Manual.

⁵ Nagarjuna Sagar, Kadam, Sriramsagar, Srisailam Right Branch Canal and Srisailam Left Bank Canal

⁶ Social Welfare : i) Commissioner of Social Welfare and ii) AP Social Welfare Residential Educational Institutions

Energy Department

- Provision was made for posts vacant for more than six months as per cadre/sanctioned strength instead of actual posts in operation resulting in excess provision by ₹ 35.49 lakh in respect of 29 posts.
- Budget estimates were submitted to the Finance/Administrative Departments by the HODs with a delay ranging from 27 days to 50 days.
- Number statements were submitted to the Finance Department by the HODs with a delay ranging from 24 days to 110 days.

2.7.2 Control of expenditure

Social Welfare Department

- An amount of ₹ 164.19 crore was surrendered out of final saving of ₹ 459.19 crore. Saving amounting to ₹ 295 crore was not surrendered on 31 March 2010 indicating inadequate financial control and the fact that these funds could not be utilized for other development purposes.
- While the expenditure pertaining to the Commissioner of Social Welfare during the previous three quarters ending December 2009 was ₹ 409 crore, it was ₹ 406 crore (50 per cent of the total expenditure of ₹ 815 crore) during last quarter. Expenditure in the month of March 2009 was ₹ 113 crore (14 per cent of the total expenditure) indicating rush of expenditure during the last quarter and in the month of March.

Energy Department

- As per para 20.2.2 of AP Budget Manual, the spending departments are required to surrender the grants/appropriation or portion thereof to the Finance Department as and when the savings are anticipated. However, saving amounting to ₹ 2998 crore (99.98 per cent) of the total saving was not surrendered indicating lack of financial control.

2.8 Conclusions and Recommendations

The financial management and budgetary control of the Government was not satisfactory. Government presented ambitious budget of ₹ 111387.93 crore⁷ for the year 2009-10, of which it could incur an expenditure of ₹ 87322.31 crore resulting in an overall shortfall in disbursements of ₹ 24065.62 crore (22 per cent of total provision).

⁷ Original budget ₹ 103886.39 crore and Supplementary ₹ 7501.54 crore

Supplementary provision of ₹ 1883.27 crore obtained in 28 grants/appropriations proved unnecessary, excessive by ₹ 1579.95 crore under 10 grants and insufficient by ₹ 63.33 crore in four grants.

During the current year, Government incurred ₹ 109.74 crore in excess of the provision under 10 grants and two appropriations which requires regularisation by the State Legislature.

During the last five years, there were persistent shortfall in utilisation of more than ₹ 20 crore in each case under seven grants and one appropriation. Under 20 grants/appropriations, savings exceeded by ₹ 100 crore and also by 20 *per cent* of provision in each case.

Injudicious re-appropriations in 216 sub-heads proved excessive or insufficient resulting in saving/excess of over ₹ 1 crore in each case. Specific reasons were not furnished in respect of 6597 (82 *per cent*) out of 8090 re-appropriations.

Saving amounting to ₹ 14743 crore (in excess of ₹ 10 crore in each case) was surrendered on the last two working days of March 2010 denying the possibility of utilisation of these funds for other development purposes.

There was rush of expenditure during the last quarter of the year. Forty four *per cent* of total expenditure was not reconciled by the controlling officers.

There were deficiencies in budgetary procedure and expenditure control in Social Welfare Department and Energy Department. Submission of budget estimates to the Finance Department was delayed, funds were provided for the vacant posts or the posts not sanctioned, there were large savings which were either not surrendered or surrendered late.

Recommendations

- *Efforts should be made by all the departments to submit realistic budget estimates keeping in view the trends in receipts and expenditure in order to avoid large scale saving/excess, re-appropriations and surrenders at the fag end of the year. Savings should be surrendered as and when they were noticed.*
- *Re-appropriations should be judicious to avoid excessive and insufficient funds.*
- *Timely reconciliation should be ensured to avoid misclassifications and distortions in financial reporting.*

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 Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills

Orders issued by the Government¹ stipulated that amount drawn on Abstract Contingent (AC) bills should be settled by submitting Detailed Contingent (DC) bills to the Principal 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 2004-10 was only ₹ 627.32 crore against the amount of AC bills of ₹ 1836.51 crore leading to an outstanding balance of DC bills of ₹ 1209.19 crore as on 31 March 2010. Year-wise details are given in **Table 3.1**.

Table 3.1: Pendency in submission of DC Bills against AC Bills

(Rupees in crore)

Year	Drawn on AC bills		DC bills Submitted		Percentage	Outstanding AC bills	
	Number	Amount	Number	Amount		Number	Amount
Upto 2004-05	134915	540.28	30423	158.09	29	104492	382.19
2005-06	15603	158.32	11010	81.26	51	4593	77.06
2006-07	13256	232.83	9986	127.70	55	3270	105.13
2007-08	10743	169.78	7327	107.12	63	3416	62.66
2008-09	7890	190.66	4260	43.36	23	3630	147.30
2009-10	4921	544.64	1998	109.79	20	2923	434.85
Total	187328	1836.51	65004	627.32	34	122324	1209.19

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

Department-wise position of pending DC bills for the year up to 2009-10 is detailed in **Appendix 3.1**. It could be seen from appendix that 62 per cent (₹ 746.50 crore) of outstanding amount drawn on AC bills pertains to Agriculture (₹ 397.33 crore) and Revenue (₹ 349.17 crore) Departments.

3.2 Delay in furnishing Utilisation Certificates

Financial Rules² 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, 262 UCs due in respect of grants and loans aggregating ₹ 30.26 crore paid up to 1999-2000, were in outstanding for more than nine years and above. No UCs for the period 2001-08 were outstanding. From 2008-09 no UCs are required to be watched by the PAG (A&E) as the same have to be submitted to the respective sanctioning authorities, as per the orders issued by the State Government while releasing the grants. The department-wise and age-wise break-up of outstanding UCs is presented in **Table 3.2**.

Table 3.2: Department-wise arrears of Utilisation Certificates

(Rupees in lakh)

Sl. No.	Department	Year of Payment of grant	Outstanding Utilisation Certificates	
			Number	Amount
1	Director of School Education	1992-93	3	155.05
2	Labour and Employment	1993-94	41	101.83
		1994-95	51	121.01
		1995-96	12	57.16
		1996-97	57	211.06
3	Municipal Administration & Urban Development	1998-99	78	2297.70
		1999-00	20	81.91
Total			262	3025.72

Source: Finance Accounts of Government of Andhra Pradesh 2009-10

3.3 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

² Note below Article 211-A(2) of Andhra Pradesh Financial Code

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 110 bodies/authorities received during 2009-10 attracted audit by the Comptroller and Auditor General of India (CAG). The 56 bodies/authorities, audit of which was due, were audited during 2009-10.

The 1480 annual accounts due up to 2009-10 were not submitted to the Principal Accountant General (Civil Audit) by 342 bodies/ authorities as of 30 June 2010. The details of these accounts are given in *Appendix 3.2* and their age-wise pendency is presented in **Table 3.3**.

Table 3.3: Age-wise pendency of Annual Accounts

Delay (number of years)	No. of Bodies/ Authorities	No. of accounts due
0 - 1	342	342
1 - 3	127	494
3 - 5	75	251
5 - 7	24	149
7 - 9	31	107
9 & above	27	137
Total		1480

Submission of 393 annual accounts by 82 bodies/authorities was delayed by more than five years.

3.4 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 by verifying their transactions, operational activities and accounts, conducting regulatory compliance audit of all transactions scrutinised in audit, reviewing internal management and financial control, reviewing systems and procedures, etc. The audit of accounts of 20 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 3.4**.

Table 3.4: Delay in submission of accounts and placement of Separate Audit Reports (SARs)

Submission of Accounts			Submission 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	01	Reasons for the delay were not stated by the Autonomous Bodies.
1 - 6	17	Non- finalisation of accounts by Autonomous Bodies.	1 - 2	05	
6 - 12	--	--	2 - 3	01	
12 - 18	15	Non- finalisation of accounts by Autonomous Bodies.	3 - 4	--	
18 - 24	--	--	4 - 5	--	
24 & above	11	Non- finalisation of accounts by Autonomous Bodies.	5 & above	--	
Total	43			7	

The Andhra Pradesh Vaidya Vidhana Parishad had not submitted the accounts for the years 2005-06 to 2009-10, Visakhapatnam Urban Development Authority and Kakatiya Urban Development Authority for the years 2007-08 to 2009-10, Hyderabad Metropolitan Development Authority and AP Khadi Village Industries Board for the years 2008-09 and 2009-10 and Vijayawada-Guntur-Tenali-Mangalagiri-Urban Development Authority and Tirupathi Urban Development Authority for the year 2009-10. The Integrated Tribal Development Agency, Eturunagaram had not submitted the accounts for the years 2000-01 to 2009-10. Also there was a delay ranging from one to three years in placement of Separate Audit Reports in the Legislature.

3.5 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 Departments 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 March 2010, all the nine undertakings have not prepared accounts up to 2008-09. In the previous Audit Reports, the CAG has repeatedly expressed concern about the arrears in preparation of accounts 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 preparation of proforma accounts for all the units up to 2008-09 was in arrears for various periods ranging from 2 to 46 years. Government Distillery, Narayanaguda, Hyderabad stopped production since October 1993. Out of three undertakings³ in which Government invested ₹ 4.20 crore, Fishnet Making Plant, T B Dam suffered net loss of ₹ 13.38 lakh at the end of the financial year up to which their accounts were finalised. The details of investment, block assets, turnover etc., in respect of remaining five undertakings were not available with the concerned departments.

3.6 Misappropriations, losses, defalcations, etc.

Financial Rules⁴ 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 474 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 34.77 crore (up to October 2010) 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 ₹ 24.30 crore in Social Welfare (including Tribal Welfare) Department in 26 cases while the highest number of misappropriation cases (261) involving Rupees one crore were pending in Revenue Department.

3.7 Operation of omnibus Minor Head - 800

During the past two decades, the range and diversity of Government activity had increased manifold thereby heavily outpacing in number the available programme minor heads. The omnibus Minor Head - 800 accommodates the expenditure which could not be classified under the available programme minor heads.

During 2009-10, expenditure aggregating ₹ 10832.08 crore (14 per cent of total expenditure) was classified under Minor Head – 800 against 47 Major Heads in revenue and capital sections. Total/major expenditure on power

³ (i) Fishnet making plant (ii) Ice-cum-cold storage Plant, T B dam and (iii) AP Government Text Book Press, Hyderabad.

⁴ Articles 5, 273, 294, 300 to 302 of the Andhra Pradesh Financial Code

subsidy, rice subsidy, special programmes for rural development, capital outlay on roads and bridges, general economic services, village and small industries etc., was classified under omnibus Minor Head – 800 instead of depicting distinctly in the Finance Accounts.

Similarly revenue receipts aggregating ₹ 2116.52 crore (3 per cent of total revenue receipts) was classified under omnibus minor head ‘800-Other Receipts’ under 43 major heads. Total non-tax revenue under other rural development programmes, ports and light houses, urban development, civil supplies etc., was classified under this minor head.

Classification of large amounts under the omnibus minor head ‘800 – Other Expenditure/Receipts’ affects the transparency in financial reporting.

3.8 Transfer of funds to Personal Deposit Accounts

The State Government is authorised to open Personal Deposit (PD) Accounts in order to deposit funds by transfer from the Consolidated Fund for discharging certain liabilities of the Government arising out of special enactments. The Administrators of such PD accounts are required to close such accounts (lapsable) on the last working day of the financial year and transfer the unspent balances back to the Government account. Transfer of funds to PD accounts is booked as expenditure in Consolidated Fund of the State. During 2009-10, an amount of ₹ 1272.28 crore was transferred to PD accounts. As the Administrator-wise PD accounts were not being maintained in the office of the Principal Accountant General (A&E), details of expenditure out of funds transferred during the year, unspent balances at the end of the year and their transfer to Government account could not be ascertained.

3.9 Working of Treasuries

The important irregularities on working of Treasuries noticed during the inspection by the Principal Accountant General (A&E) are discussed in succeeding paragraphs.

3.9.1 Excess payment of pension/family pension

A test check of records relating to payment of pension and family pension in five District Treasuries, 162 Sub-Treasuries and five Asst. Pension Payment Offices during 2009-10 revealed excess payment of ₹ 1.19 crore in 275 cases as given in **Table 3.5** below:

Table 3.5: Excess payment of pension/family pension

(Rupees in lakh)

Nature of irregularity	No. of cases	Amount involved
Irregular sanction of Dearness Relief	128	44.61
Excess payment of Enhanced Family Pension	21	14.47
Incorrect computation of pension consequent on revision of pension from time to time	18	8.99
Non-reduction of commuted portion of pension	60	10.50
Payment of inadmissible Interim Relief	6	0.12
Irregular payment of Financial Assistance	6	9.69
Irregular payment of enhanced Family Pension beyond time limit	7	4.02
Incorrect drawl of Anticipatory Pension without settlement of Original Pension	4	12.50
Inadmissible payment of Full Pension against Provisional Pension	4	9.74
Incorrect sanction of Gratuity	3	1.65
Non-refund of pension amount after the death of the Pensioner	18	2.48
Total	275	118.77

Similar excess payment of Pensionary benefits noticed during the last four years is as given in **Table 3.6** below:

Table 3.6: Excess payment of pensionary benefits during last four years

(Rupees in lakh)

Year	Aggregate excess payment
2005-06	36.88
2006-07	41.43
2007-08	58.39
2008-09	62.44
Total	199.14

3.9.2 Diversion of funds

During the test check of records of District Treasury, Chittoor, it was noticed that an amount of ₹ 5 crore was drawn (December 2008) by the District Collector, Chittoor under Natural Calamities for relief and rehabilitation of people affected by 'Nisha' cyclone. Of this, ₹ 2.50 crore was released (January 2009) to the MD, APMHIDC for payment of pending bills towards construction of Collectorate buildings Complex at Chittoor on refund basis. However, neither the amount was returned by the MD nor DC bills submitted to the Treasury by the District Collector as of March 2010.

3.9.3 Drawal of funds from Personal Deposit Accounts

As per article 3 of AP Financial Code, unless the amount is required to be paid for the services/work done, no amount shall be drawn. Further, the Administrators of PD accounts are required to enclose bank statement and

utilization certificates in token of utilization of funds drawn earlier and in case of non-utilisation of funds drawn earlier, no further drawal shall be allowed. However, the Treasury officers allowed drawal of funds from Personal Deposit Account by the Administrators without insisting for utilisation certificates for the funds drawn earlier in the following cases:

- ◆ An amount of ₹ 1.13 crore was drawn (June 2009) by the Project Director, DRDA, Chittoor from the PD account for meeting future expenditure and deposited in SB account in spite of having unspent balance of ₹ 35.23 crore in the bank account.
- ◆ Similarly, an amount of ₹ 20.83 crore was drawn (July 2009) by the Project Director, DRDA, West Godavari, Eluru from the PD account for future expenditure and credited to SB account in spite of having unspent balance of ₹ 2.30 crore in the bank account.
- ◆ The Deputy Director, District Treasury, Hyderabad Urban, instead of lapsing the balance of ₹ 37.64 crore at the end of March 2008, allowed the Managing Director, Hyderabad Metro Rail Limited (MD, HMRL) to draw ₹ 34.01 crore from the Personal Deposit account, a 'C' category-Lapsable Deposit Account, during the period from March 2008 to July 2009 through 358 cheques of ₹ 9.50 lakh each evidently to avoid countersignature of higher authorities. Further, an amount of ₹ 33.98 crore was re-credited to PD account in September 2009 by the MD, HMRL.

It is evident from the above instances that funds were drawn and kept in SB accounts i.e. outside the Government account to avoid lapsing.

3.10 Conclusions and Recommendations

Detailed Contingent Bills for ₹ 1209.19 crore out of ₹ 1836.51 crore drawn on Abstract Contingent bills were outstanding at the end of 31 March 2010. Utilisation Certificates (262) in respect of grants/loans amounting to ₹ 30.26 crore paid up to 1999-2000 were in arrears for nine years and above. Submission of 1480 annual accounts by 342 bodies/authorities to the Principal Accountant General (Civil Audit) was delayed by one to nine years and above. Similarly, delay in submission of accounts of 43 autonomous bodies ranged from 6 to 120 months due to non-finalisation of accounts. Also, delay in submission of Separate Audit Reports in the State Legislature ranged from one to three years in respect of seven autonomous bodies. Finalisation of pro-forma accounts was in arrears in respect of all the nine Departmental Commercial Undertakings. Substantial amounts of receipts (₹ 2116.52 crore) and expenditure (₹ 10832.08 crore) were classified under omnibus minor head '800-Other Receipts/Expenditure' during 2009-10. Funds amounting to ₹ 1272.28 crore were transferred to PD accounts during the current year. State Government reported 474 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 34.77 crore. Excess payment of pension/family pension amounting to ₹ 1.19 crore was noticed. Calamity Relief funds of ₹ 2.50 crore were diverted for payment of arrear bills for construction of

Collectorate buildings complex. An amount of ₹ 55.97 crore drawn from PD accounts was kept in Banks by the Administrators to avoid lapsing.

Recommendations:

- *A rigorous monitoring mechanism should be put in place in the Departments to adjust the advances drawn on Abstract Contingent bills within the stipulated period, as required under the extant rules.*
- *Government should take action for preparing the proforma accounts of all Commercial Undertakings and take corrective measures for ensuring accountability and improving efficiency.*
- *In order to ensure greater transparency in financial reporting, large amounts received or expended under various schemes should be depicted in Accounts distinctly, instead of clubbing the same under the Minor heads '800-Other Expenditure' and '800-other receipts'.*
- *Departmental enquiries in all fraud/misappropriation cases should be expedited and internal controls strengthened to prevent such cases in future.*

Hyderabad
The



(G.N. Sunder Raja)
Principal Accountant General (Civil Audit),
Andhra Pradesh

Countersigned

New Delhi
The



(VINOD RAI)
Comptroller and Auditor General of India

Appendix-1.1

Andhra Pradesh State Profile

(Refer para on State profile; page 1)

A.		General Data			
Sl. No.	Particulars		Figures		
1	Area		275000 sq.km		
2	Population				
	a.	As per 2001 Census	7.62 crore		
	b.	2009-10	8.36 crore		
3	Density of Population (2001) (All India Density = 325 persons per sq. km)		277 per sq. km.		
4	Population below poverty line (All India average = 27.5%)		15.8 per cent		
5.	Literacy (2001) (All India average = 64.8%)		60.47 per cent		
6	Infant mortality (per 1000 live births) (All India average = 53 per 1000 live births)		52		
7	Life Expectancy at Birth (All India average = 63.5 years)		64.4		
8	Gini Coefficient ¹				
	a.	Rural (All India = 0.30)	0.29		
	b.	Urban (All India = 0.37)	0.37		
9	Gross State Domestic Product (GSDP) 2009-10 at current prices		₹ 411349 crore		
10	GSDP CAGR ² (2000-01 to 2009-10)		12.31 per cent		
11	Per capita GSDP CAGR (2000-01 to 2009-10)		11.16 per cent		
12	GSDP CAGR (2000-01 to 2008-09)		Andhra Pradesh	12.50 per cent	
			Other General Category States	12.54 per cent	
13	Population Growth (2000-01 to 2009-10)		Andhra Pradesh	9.67 per cent	
			Other General Category States	13.42 per cent	
B		Financial Data			
S.No	Particulars		Figures (in per cent)		
1	CAGR		2000-01 to 2008-09		2000-01 to 2009-10
			General Category States	Andhra Pradesh	Andhra Pradesh
	a.	of Revenue Receipts	14.40	15.77	14.27
	b.	of Own Tax Revenue	13.59	15.47	14.31
	c.	of Non-Tax Revenue	12.08	17.08	12.32
	d.	of Total Expenditure	12.38	13.65	12.56
	e.	of Capital Expenditure	21.41	21.59	22.81
	f.	of Revenue Expenditure on Education	9.33	8.48	9.46
	g.	of Revenue Expenditure on Health	8.95	10.67	10.81
	h.	of Salary and Wages [#]	9.37	8.88	10.42
	i.	of Pension	12.03	11.10	10.94

Source: Financial data is based on figures in Finance Accounts. BPL (Planning Commission & NSSO data, 61st Round-<http://planning.commission.nic.in/data/database/Data0910/tab%2021.pdf>), Gini Coefficient (Unofficial estimates of Planning Commission & NSSO data, 61st Round 2004-05 MRP), Life Expectancy at birth (Office of the Registrar General of India; Ministry of Home Affairs; Economic Survey, 2009-10), Infant mortality rate (SRS Bulletin October,2009), Density of population (Office of the Registrar General and census commissioner of India); Ministry of Home Affairs and Literacy (Office of the Registrar General of India; Ministry of Home Affairs).

[#]For the period 2001-02 to 2008-09 or 2009-2010 as the case may be.

¹ It is a measure of inequality of income distribution where zero refers to perfect equality and 1 refers to perfect inequality

² Compound Annual Growth Rate

Appendix 1.2
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
A STATE REVENUE ACCOUNT								
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.	Own Tax + Non-tax Revenue (1+2)	21590.79	20010.07	24343.25	28241.79	31895.94	36052.05	40856.10
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.	Total Central Transfers (4 to 6)	10403.04	8739.43	9821.91	11174.91	11434.31	12389.94	13305.42
8.	Total Revenue Receipts (3 + 7)	31993.83	28749.50	34165.16	39416.70	43330.25	48441.99	54161.52
	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*	1811.45*	1672.77	1599.48	1599.48	1599.48	1599.48
16.	Total Revenue Expenditure (9 +10)	33455.47	31307.34	35865.16	40569.80	43942.43	48351.99	53661.52
	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	Revenue Surplus/Deficit (8-16)	-1461.64	-2557.84	-1700.00	-1153.10	-612.18	90.00	500.00
	as % of GSDP		-1.28	-0.76	-0.46	-0.22	0.03	0.14
B CONSOLIDATED REVENUE ACCOUNT								
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	Consolidated Revenue Deficit (A 19 + B 4)	-1461.64	-2500.84	-1584.00	-1032.10	-487.18	220.00	635.00
C CONSOLIDATED DEBT								
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 off-budget borrowing and SPV borrowing		2300.60	2356.61	2238.78	2126.84	2020.50	1919.47

D	CAPITAL ACCOUNT							
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	Gross Fiscal Deficit (GFD)*	-6706.88	-8192.23	-8003.56	-8180.85	-8082.08	-8125.39	-8100.29
	as % of GSDP		-4.12	-3.56	-3.26	-2.89	-2.60	-2.31
	GSDP (₹ in crore) at Current prices	199075	199075	225054	250674	279732	312741	350295
	<i>Actual/Assumed Nominal Growth Rate (%)</i>		<i>10.10</i>	<i>13.05</i>	<i>11.38</i>	<i>11.59</i>	<i>11.80</i>	<i>12.01</i>
	*GFD as per para 19 of the guidelines *included in Plan expenditure							

Appendix 1.3
Time Series Data on State Government Finances
(Refer paragraphs 1.5 and 1.9.2 pages 7 and 27)

(Rupees in crore)

		2005-06	2006-07	2007-08	2008-09	2009-10
Part A Receipts						
1.	Revenue Receipts	34851(99)	44245(95)	54143(89)	62858(99)	64678(100)
	(i) Tax Revenue	19207 (55)	23926(54)	28794(53)	33358(53)	35176(54)
	Taxes on Sales, Trade, etc.	12542(65)	15467(65)	19026(66)	21852(66)	23640(67)
	State Excise	2684(14)	3437(14)	4041(14)	5752(17)	5849(17)
	Taxes on Vehicles	1356(7)	1365(6)	1604(6)	1801(5)	1995(6)
	Stamps and Registration fees	2013(11)	2865(12)	3086(11)	2931(9)	2639(8)
	Land Revenue	69	114	144	130	222(1)
	Other Taxes	543(3)	678(3)	893(3)	892(3)	831(2)
	(ii) Non Tax Revenue	4691(14)	6488(15)	7064(13)	9683(15)	7803(12)
	(iii) State's share in Union taxes and duties	6951(20)	8866(20)	11184(21)	11802(19)	12141(10)
	(iv) Grants in aid from GOI	4002(11)	4965(11)	7101(13)	8015(13)	9558(15)
2.	Misc. Capital Receipts	--	1889(4)	6558(11)	--	---
3.	Recovery of loans and advances	182(1)	471(1)	191	370(1)	143(0)
4.	Total revenue and Non-debt capital receipts (1+2+3)	35033(90)	46605(91)	60892(85)	63228(80)	64821(77)
5.	Public Debt Receipts	3971(10)	4550(9)	11132(15)	15353(20)	19753(23)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	3449(87)	4236 (93)	10223(92)	14956(97)	18185(92)
	Net transactions under Ways and Means Advances and Overdraft	--	--	--	--	--
	Loans and Advances from Government of India	522(13)	314(7)	909(8)	397(3)	1568(8)
6.	Total receipts in the Consolidated Fund (4+5)	39004(49)	51155(50)	72024(54)	78581(52)	84574(54)
7.	Contingency Fund receipts	--	1	--	1	7(0)
8.	Public Account receipts	41366(51)	51060(50)	61380(46)	72503(48)	71780(46)
9.	Total receipts of Government (6+7+8)	80370	102216	133404	151085	156361
Part B. Expenditure/Disbursement						
10.	Revenue Expenditure	35237(81)*	41438(79)	53984(77)	61854(82)	63448(80)
	Plan	6805(19)	9519(23)	13901(26)	18993(31)	15442(24)
	Non-plan	28432(81)	31920(77)	40083(72)	42861(69)	48006(76)
	General Services (including interest payments)	13492(38)	15314(37)	18170(34)	18730(30)	21392(34)
	Social Services	12159(35)	15369(37)	18660(35)	25004(40)	25757(41)
	Economic Services	9361(26)	10510(25)	16904(31)	17807(29)	16213(25)
	Grants-in-aid and contributions	225(1)	245(1)	249	313(1)	86(0)
11.	Capital Expenditure	7340(17)*	9904(19)	12774(18)	10367(14)	13793(17)
	Plan	7378(100)	9909(100)	12866(100)	10611(102)	13955(101)
	Non-plan	(-38)	(-5)	(-9)	(-244(-2)	(-162(-1)
	General Services	26	344(3)	36	59(1)	92(1)
	Social Services	155(2)	164(2)	284(2)	324(3)	639(4)
	Economic Services	7159 (98)	9396(95)	12454(98)	9984(96)	13062(95)
12.	Disbursement of Loans and Advances	756(2)	907(2)	2920(4)	3414(4)	1590(2)
13.	Total (10+11+12)	43333(89)	52249(92)	69678(93)	75635(94)	78831(93)

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

		2005-06	2006-07	2007-08	2008-09	2009-10
14.	Repayment of Public debt	5295(11)	4253(8)	4993(7)	4833(6)	6277(7)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	4688(89)	3063(72)	4041(81)	4045(84)	4782(76)
	Net transactions under Ways and Means Advances and Overdraft	--	--	--	--	---
	Loans and Advances from Government of India	607(11)	1190(28)	952(19)	788(16)	1495(24)
15.	Appropriation to Contingency Fund	--	--	--	--	---
16.	Total disbursement out of Consolidated Fund (13+14+15)	48628	56502	74671	80468	85108(55)
17.	Contingency Fund disbursements	1	Z	1	7	X
18.	Public Account disbursements	31421	44216	55126	74149	70243(45)
19.	Total disbursements by the State (16+17+18)	80050	100718	129798	154624	155351
Part C. Deficits						
20.	Revenue Deficit (-)/Surplus (+) (1-10)	(-)386	(+)2807	(+)159	(+)1004	1230
21.	Fiscal Deficit (-)/Surplus (+) (4-13)	(-)8300	(-)5644	(-)8786	(-)12407	-14010
22.	Primary Deficit (-)/Surplus (+) (21-23)	(-)1292	(+)1636	(-)1197	(-)4350	-5096
Part D. Other data						
23.	Interest Payments (included in revenue expenditure)	7008	7280	7589	8057	8914
24.	Arrears of Revenue (percentage of Tax & Non Tax Revenue receipts)	5277(22)	5842(19)	2413(7)	6508(15)	12154(28)
25.	Financial Assistance to local bodies etc.	9702	10767	18642	24807	19842
26.	Ways and Means Advances/Overdraft availed (days)	--	--	---	---	1
27.	Interest on Ways and Means Advances/Overdraft	--	--	---	---	Y
28.	Gross State Domestic Product (GSDP)[#]	239683	277286	326547	377346(Q)	411349(UA)
29.	Outstanding fiscal liabilities (year end)[@]	79549	86622	97368	106917	119807
30.	Outstanding guarantees (year end)	17711	18018	14502	15239	13135
31.	Maximum amount guaranteed (year end)	30200	29160	18798	29990	20324
32.	Number of incomplete projects[^]	NA	NA	53	30	206
33.	Capital blocked in incomplete projects[^]	NA	NA	30939	19892	36165
Part E: Fiscal Health Indicators						
I Resource Mobilization						
	Own Tax Revenue/GSDP	0.080	0.086	0.088	0.088	0.086
	Own Non-Tax Revenue/GSDP	0.020	0.023	0.022	0.026	0.019
	Central Transfers/GSDP	0.046	0.050	0.056	0.053	0.053
II Expenditure Management						
	Total Expenditure/GSDP	0.181	0.188	0.213	0.200	0.192
	Total Expenditure/Revenue Receipts	1.243	1.181	1.287	1.203	1.219
	Revenue Expenditure/Total Expenditure	0.813	0.793	0.775	0.818	0.805
	Expenditure on Social Services/Total Expenditure	0.281	0.294	0.268	0.331	0.327
	Expenditure on Economic Services/Total Expenditure	0.216	0.201	0.243	0.235	0.206
	Capital Expenditure/Total Expenditure	0.169	0.190	0.183	0.137	0.175
	Capital Expenditure on Social and Economic Services/Total Expenditure	0.169	0.183	0.183	0.136	0.174
III Management of Fiscal Imbalances						
	Revenue deficit (surplus)/GSDP	-0.002	0.010	--	0.003	0.003
	Fiscal deficit/GSDP	-0.035	-0.020	-0.027	-0.033	-0.034
	Primary deficit (surplus)/GSDP	-0.005	0.006	-0.004	-0.012	-0.012
	Revenue deficit/Fiscal deficit	0.047	-0.497	-0.018	-0.081	-0.088
	Primary Revenue Balance/GSDP	0.028	0.045	0.044	0.025	0.025

IV	Management of Fiscal Liabilities					
	Fiscal Liabilities/GSDP	0.332	0.312	0.298	0.283	0.291
	Fiscal Liabilities/RR	2.283	1.958	1.798	1.701	1.852
	Primary deficit vis-à-vis quantum spread	4301	7149	10024	9363	6474
	Debt Redemption (Principal + Interest)/Total Debt Receipts	0.353	2.535	1.130	0.840	0.750
V	Other Fiscal Health Indicators					
	Return on Investment	0.80	0.82	0.20	0.31	0.38
	Balance from Current Revenue (₹ in crore)	3600	8330	8503	14625	10846
	Financial Assets/Liabilities	0.65	0.73	0.83	0.86	0.92

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

GSDP: Q: Quick and UA: Updated Advanced Estimates

^X ₹ 40.63 lakh; ^Y ₹ 65,287; ^Z ₹ 32.60 lakh;

[#]The GSDP data for 2005-06 to 2009-10 have been obtained from Director of Economics and Statistics.

[@] 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 1.4

Abstract of Receipts and Disbursements in 2009-10

(Refer paragraph 1.2; page 1)

(Rupees in crore)

Receipts				Disbursements				
2008-09		2009-10	2008-09		2009-10			
					Non-Plan	Plan	Total	
Section-A: Revenue								
62858	I. Revenue receipts		64678	61854	I. Revenue expenditure-	48006	15442	63448
33358	-Tax revenue	35176		18730	General services	21211	181	21392
				25004	Social Services-	15058	10699	25757
9683	-Non-tax revenue	7803		7168	-Education, Sports, Art and Culture	7111	1326	8437
				2895	-Health and Family Welfare	1836	1403	3239
11802	-State's share of Union Taxes	12141		5625	-Water Supply, Sanitation, Housing and Urban Development	590	3227	3817
2224	-Non-Plan grants	3275		231	-Information and Broadcasting	173	50	223
4039	-Grants for State Plan Schemes	4255		3175	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	1280	1828	3108
1752	-Grants for Central and Centrally sponsored Plan Schemes	2028		226	-Labour and Labour Welfare	115	64	179
				5659	-Social Welfare and Nutrition	3924	2801	6725
				25	-Others	29	-	29
				17807	Economic Services-	11651	4562	16213
				3748	-Agriculture and Allied Activities	820	1675	2495
				3088	-Rural Development	1313	1133	2446
				4040	-Irrigation and Flood Control	4943	502	5445
				3669	-Energy	3238	20	3258
				394	-Industry and Minerals	108	241	349
				1849	-Transport	1072	150	1222
				10	- Science, Technology and Environment	2	7	9
				1009	-General Economic Services	155	834	989
				313	Grants-in-aid and Contributions	86	-	86
---	II. Revenue deficit carried over to Section B		---	1004	II. Revenue Surplus carried over to Section B			1230

Section-B: Others								
8512	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		4973	---	III. Opening Overdraft from RBI			---
				10367	IV. Capital Outlay-	(-)162	13955	13793
				59	General Services-	---	92	92
				324	Social Services-	---	639	639
				79	-Education, Sports, Art and Culture	---	42	42
				30	-Health and Family Welfare	---	40	40
				18	-Water Supply, Sanitation, Housing and Urban Development	---	309	309
				184	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	---	231	231
				8	-Social Welfare and Nutrition	---	9	9
				5	-Others	---	8	8
				9984	Economic Services-	(-)162	13224	13062
				20	-Agriculture and Allied Activities	---	1	1
				--	Rural Development Programme	---	---	---
				8569	-Irrigation and Flood Control	---	11239	11239
				*	-Energy	---	10	10
				3	-Industry and Minerals	---	4	4
				1093	-Transport	(-)162	1462	1300
				299	-General Economic Services	---	508	508
370	V. Recoveries of Loans and Advances-		143	3414	V. Loans and Advances disbursed-	76	1514	1590
66	-From Power Projects	15		1	-For Power Projects	---	---	---
95	-From Government Servants	85		92	-To Government Servants	76	---	76
209	-From others	43		3321	-To Others	-	1514	1514

*₹ 0.36 crore only

1004	VI. Revenue surplus brought down		1230	---	VI. Revenue deficit brought down	---	---
15353	VII. Public Debt receipts-		19753	4833	VII. Repayment of Public Debt-	---	6277
14956	-Internal debt other than Ways and Means Advances and Overdraft	18185		4045	-Internal debt other than Ways and Means Advances and Overdraft	4782	---
---	- Net transactions of Ways and Means Advances including Overdraft	---		---	-Net transaction of Ways and Means Advances including Overdraft	---	---
397	-Loans and Advances from Central Government	1568		788	-Repayment of Loans and Advances to Central Government	1495	---
---	VIII. Appropriation to Contingency Fund		---	---	VIII. Appropriation to Contingency Fund		---
1	IX. Amount recouped to Contingency Fund		7	7	IX. Expenditure from Contingency Fund		---
72503	X. Public Account receipts-		71780	74149	X. Public Account disbursements-		70243
2351	-Small Savings and Provident Funds	2383		1781	-Small Savings and Provident Funds	1422	
1411	-Reserve funds	1897		515	-Reserve Funds	1308	
12329	-Suspense and Miscellaneous	12229		12008	-Suspense and Miscellaneous	12239	
16958	-Remittances	19787		18579	-Remittances	18353	
39454	-Deposits and Advances	35484		41266	-Deposits and Advances	36921	
---	XI. Closing Overdraft from Reserve Bank of India		---	4973	XI. Closing Cash Balance -		5983
				5	Cash in Treasuries and Local Remittances	5	
				(-)291	Deposits with Reserve Bank and other Banks	27	
				2	Departmental cash balance including permanent advances	2	
				5257	Cash balance investment and investment of earmarked funds	5949	
160601	Total		162564	160601	Total		162564

Appendix 1.5

Summarised financial position of the Government of Andhra Pradesh as on 31 March 2010

(Refer paragraph 1.9.1; page 26)

(Rupees in crore)

As on 31.03.2009		Liabilities	As on 31.03.2010	
47180.21		Internal Debt –		84765.77
	38336.31	Market loans bearing interest	51621.88	
	0.93	Market Loans not bearing interest	1.06	
	---	Market Loans Suspense	---	
	1401.35	Loans from LIC	1052.03	
	120.37	Loans from GIC	111.24	
	3931.67	Loans from NABARD	4469.68	
	3389.58	Loans from other Institutions	2311.92	
	---	Special sanction issued NSSF	25197.96	
	---	Ways and Means Advances	---	
---		Overdraft from Reserve Bank of India		---
14734.22		Loans and Advances from Central Government -		14807.50
	102.38	Pre 1984-85 Loans	9.36	
	14517.43	Non-plan Loans	95.67	
	21.59	Loans for State Plan Schemes	14605.87	
	83.46	Loans for Central Plan Schemes	19.98	
		Loans for Centrally Sponsored Plan Schemes	76.62	
	---	Other Ways and Means Advances	---	
42.82		Contingency Fund		49.57
31653.83		Small Savings, Provident Funds, etc		8432.44
12305.06		Deposits		10869.88
4016.41		Reserve Funds		4605.21
523.33		Suspense and Miscellaneous Balances		512.33
186.85		Remittance Balances		1621.57
110642.73		Total		125664.27
As on 31.03.2009		Assets	As on 31.3.2010	
73261.38		Gross Capital Outlay on Fixed Assets		91198.57
	5978.90	Investments in shares of Companies, Corporations, Cooperatives, etc	6003.31	
	67282.48	Other Capital Outlay	85195.26	
16421.53		Loans and Advances		17868.44
	3641.78	Loans for Power Projects	3626.97	
	12565.37	Other Development Loans	14031.69	
	214.38	Loans to Government servants and Miscellaneous loans	209.78	
12.66		Advances		14.69
---		Remittance Balances		---
---		Suspense and Miscellaneous Balances		---
4972.95		Cash –		5982.85
	4.97	Cash in Treasuries and Local Remittances	4.97	
	(-)290.92	Deposits with Reserve Bank and other Banks	27.26	
	2.30	Departmental Cash Balance	2.29	
	2283.93	Cash Balance Investments	2274.10	
	2972.67	Investment of Earmarked funds	3674.23	
15974.21		Deficit on government account		10599.72
	16978.37	Accumulated deficit up to 31 March 2008*	11830.06	
	(-)1004.23	Revenue Surplus of the Current Year	(-)1230.42	
	0.07	Amount closed to government account	0.08	
	---	Proforma corrections to opening balances under capital expenditure	---	
110642.73		Total		125664.27

* Defers from last year's closing balance by ₹ 4144.15 crore due to reduction of grants-in-aid to local bodies and amounts transferred to deposits classified as capital expenditure during 2000-01 to 2005-06.

Appendix 1.6

Actuals vis-à-vis Budget Estimates 2009-10

(Refer paragraph 1.3 page 3)

(Rupees in crore)

	Budget Estimates	Actuals	Increase (+)/ Decrease(-)	Increase (+) / Decrease (-) (in %)
(1)	(2)	(3)	(4) (3-2)	(5)
Revenue Receipts	78964	64678	(-14286)	(-18.09)
Of which				
Taxes on Sales, Trade etc	27685	23640	(-) 4045	(-) 14.61
State Excise	6260	5849	(-) 411	(-) 6.57
Taxes on immovable property other than agricultural lands	88	62	(-) 26	(-) 29.55
Taxes on vehicles	2315	1995	(-) 320	(-) 13.82
Stamps and Registration fees	3224	2639	(-) 585	(-) 18.15
Taxes on Goods and Passengers	18	10	(-) 8	(-) 44.44
Land Revenue	144	222	78	54.17
Interest Receipts	4456	4852	396	8.89
Miscellaneous General Services	4034	(-)618	(-) 4652	(-) 115.32
Non ferrous Mining and Metallurgical Industries	2450	1887	(-) 563	(-) 22.98
Revenue Expenditure	76557	63448	(-) 13109	(-) 17.12
General Education	11034	8437	(-) 2597	(-) 23.54
Water Supply and Sanitation	5884	3817	(-) 2067	(-) 35.13
Pension and Other Retirement Benefits	6743	6339	(-) 404	(-) 5.99
Police	2670	2768	98	3.67
Welfare of Schedules Castes, Scheduled Tribes and Other Backward Classes	3608	3108	(-) 500	(-) 13.86
Health and Family Welfare	3727	3239	(-) 488	(-) 13.09
Social Welfare and Nutrition	7628	6725	(-)903	(-)11.84
Roads and Bridges	1357	1103	(-) 254	(-) 18.72
Secretariat – Economic Services	656	735	79	12.04
Forestry and Wild Life	335	260	(-) 75	(-) 22.39
Rural Development	2276	2446	170	7.47
Urban Development	2900	2088	(-) 812	(-) 28.00
Irrigation and Flood Control	6950	5445	(-)1505	(-)21.65
District Administration	746	624	(-) 122	(-) 16.35
Administration of Justice	406	415	9	2.22
Interest Payments	9104	8914	(-) 190	(-) 12.09
Power	6162	3252	(-) 2910	(-) 47.22
Capital Receipts	-	-	-	-
Capital Expenditure	17977	13793	(-) 4184	(-) 23.27
Revenue Surplus (+)/Deficit (-)	2407	1230	(-) 1177	(-) 48.90
Fiscal Deficit (-)	(-) 16162	(-)14010	(-)2152	(-)13.32
Primary Surplus (+)/Deficits (-)	(-) 7059	(-)5096	(-)1963	(-)27.81

Explanatory Notes to Appendices 1.4, 1.5 and 1.6

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 1.5* 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 ₹ 2.01 crore (credit) between the figures reflected in the accounts (₹ 25.92 crore – debit) and that intimated by the Reserve Bank of India (₹ 27.93 crore – credit) under the head deposits with Reserve Bank. The difference was under reconciliation.

Appendix 1.7

List of incomplete Irrigation Projects

(Refer paragraph 1.8.1; page 22)

(Rupees in crore)

Sl. No.	Name of the Project	Year of commencement	Original cost	Revised cost	Expenditure to the end of March 2010	Cost Differential
I	Major Irrigation					
1	Sriram Sagar Project Stage I	1964	40.13	3317.00	3004.03	3276.87
2	Srisailem Right Branch Canal (Jalayagnam)	2005	661.43	--	357.46	--
3	H.N.S.S. Phase I	2005	2015.68	--	4022.19	--
4	Indira Sagar (Polavaram) Project	2004	8709.00	10287.38	2690.62	1578.38
5	Jawahar (Nettampadu) LIS	2005	1428.00	--	1081.98	--
6	Kandula Obula Reddy Project (Gundlakamma)	2004	165.22	592.18	540.75	426.96
7	Rajiv (Bhima) LIS	2005	1426.30	2158.40	1337.16	732.10
8	Somasila Project	1975	17.20	1196.00	859.89	1178.80
9	Sripada Sagar (Yellampally) Project	2004	3576.10	3767.03	740.76	190.93
10	Sri Ram Sagar Project (Stage II)	2000	1043.14	1098.00	731.06	54.86
11	Telugu Ganga Project	1983	637.00	4432.00	3341.65	3795.00
12	Choutpally Hanumantha Reddy LIS	2005	45.00	55.50	13.46	10.50
13	Venkatanagaram Pumping Scheme	2005	58.43	124.18	74.44	65.75
14	Thadipudi LIS	2004	295.80	526.17	359.85	230.37
15	Vamshadhara Project Stage-II	2003	123.94	173.00	3.76	49.06
16	J. Chokka Rao (Devadula) LIS	2004	6356.07	9212.64	1339.01	2856.57
17	Thotapally Barriage	2004	450.23	--	402.80	--
18	K L Rao Pulilchinthala Project	2004	565.87	1281.00	381.83	715.13
19	Guru Raghavendra LIS	2004	385.62	387.57	146.20	1.95
20	Galeru Nagari Sujala Sravanthi (GNSS)	2005	4452.00	5898.00	3852.40	1446.00
21	Pennar Ahobilam Stage-II	2005	518.96	--	846.24	--
22	Flood Flow Canal	1997	1331.30	4729.26	2370.06	3397.96
23	Mahatma Gandhi (Kalvakurthi) LIS	2005	1500.00	2990.00	1910.52	1490.00
24	Poola Subbaiah Veligonda Project	2004	1234.50	5150.00	1399.83	3915.50
25	Lendi Project	2007	202.19	263.89	44.43	61.70
26	Tarakarama Krishnaveni LIS	1995	35.90	28.32	21.06	(-)7.58
	Total		37275.01	57667.52	31873.44	25466.81

II	Medium Irrigation					
1	Bhupathi Palem Reservoir	2004	100.52	144.88	94.22	44.36
2	Gollavagu Project	2005	83.61	--	78.04	--
3	Kinnerasani Project	2005	36.82	--	17.44	--
4	Koil Sagar LIS	2005	296.45	359.00	249.24	62.55
5	Kovvada Kalva Project	2001	52.11	68.10	60.88	15.99
6	Modikuntavagu (Tribal Area Sub plan)	2005	124.60	255.05	51.69	130.45
7	Musurumilli Project	2005	218.65	--	163.91	--
8	Neelwai Project	2005	90.50	95.45	65.93	4.95
9	Palemvagu Project	2005	70.99	160.57	70.14	89.58
10	Peddavagu (Ada) Komarambheem	2005	274.14	450.14	329.26	176.00
11	Yerrakalva Reservoir	1976	14.50	124.95	112.14	110.45
12	Chitravathi Balancing Reservoir (PBC)	2005	2327.66	2912.25	1877.21	584.59
13	Pushkaram LIS	2004	297.25	608.40	528.20	311.15
14	Peddavagu – Jagannadpur	2005	124.64	--	66.41	--
15	Mathadivagu Project	2005	50.40	56.35	54.92	5.95
16	Janjhavathi	1976	13.50	141.00	110.37	127.50
17	Tarakarama Theerthasagar	2006	220.04	--	63.78	--
18	Maddigedda	1976	2.50	12.63	11.66	10.13
19	Mahendranaya Project	2008	123.25	--	7.74	--
20	Palair Project	2007	50.50	--	0.31	--
	Total		4572.63	5388.77	4013.49	1673.65
	Grand Total		41847.64	63506.52	35886.93	27140.46

Appendix 1.8

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

(Refer paragraph 1.8.3; page 24)

(Rupees in lakh)

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, T.B.Dam	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, T.B Dam	2006-07	11.68	0.26	0.03	17.33 (cash sales)	11.79	---	11.79	100.94
3.	Fish seed Farm, T B Dam	Accounts are awaited since inception from 1963-64. Hence the information is not available								
4.	Directorate of Insurance (APGLI), Hyderabad	2003-04	---	47.32	5.72	14759.30 (includes premium received, interest on deposit with Government, Misc. Receipts, interest, 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								

Appendix 1.9

Structure of Government accounts and layout of Finance Accounts

(Refer paragraph 1.1; page 1)

Structure of Government Accounts	
<p>The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.</p>	
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	
Layout of Finance Accounts	
Statement No.	Layout
1	Statement of financial position- Cumulative figures of assets and liabilities of the Government, as they stand at the end of the year.
2	Statement of receipts and disbursements showing all receipts and disbursements of the Government in respect of Consolidated Fund, Contingency Fund and Public Account during the year.
3	Statement of receipts (Consolidated Fund) – comprises revenue and capital receipts and receipts from borrowings by the Government consisting of loans from the GOI, other institutions, market loans raised by the Government and recoveries on account of loans and advances made by the Government.
4	Statement of expenditure (Consolidated Fund) – gives expenditure by function and also summarises expenditure by nature of activity.
5	Statement of progressive capital expenditure by functions.
6	Statement of borrowings and other liabilities of Government.
7	Statement of loans given by the Government –Loans and advances are summarised sector and loanee group-wise.
8	Statement of grants-in-aid given by the State Government., organised by grantee institutions group wise.
9	Statement of guarantees given by the Government for repayment of loans etc raised by the statutory corporations, local bodies and other institutions
10	Statement of Voted and Charged expenditure of the Government during the year.
11	Detailed account of Revenue and Capital receipts by Minor Heads.
12	Details account of revenue expenditure by minor heads under non-plan, plan and centrally sponsored schemes separately.
13	Detailed capital expenditure incurred during and to the end of the year..
14	Details of investments of the State Government in statutory corporations, Government Companies, other joint stock companies, cooperative banks and societies etc., up to the end of the year.
15	Detailed statement of borrowings and other liabilities by Minor Heads.
16	Detailed statement of loans and advances given by the Government.
17	Detailed statement on sources and application of funds for expenditure other than revenue account.
18	Detailed statement of Contingent Fund and Public Account transactions.
19	Detailed statement of investment out of reserve funds and earmarked funds.
Appendices	In addition to the above 19 statements Finance Accounts also contains 12 appendices giving the details on salaries, subsidies, grants-in-aid – scheme-wise and institution-wise, details of externally aided projects, scheme-wise expenditure in respect of major Central Schemes and State Plan Schemes etc.

Appendix 1.10

Fiscal Responsibility and Budget Management (FRBM) Act, 2005

(Refer paragraph 1.1; page 1)

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 1.2*

Appendix 2.1

Statement of various grants/appropriations where saving was more than ₹100 crore each and more than 20 per cent of the total provision

(Refer paragraph 2.3.1; page 38)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant/ Appropriation	(Rupees in crore)	
				Saving	Percentage
1	IX	Fiscal Administration, Planning, Surveys and Statistics (LC)	8084.47	1807.48	22
2	XII	School Education (RV)	8356.40	1690.04	20
3	XII	School Education (CV)	131.49	107.28	82
4	XIII	Higher Education (RV)	1932.57	673.83	35
5	XIV	Technical Education (RV)	816.96	361.13	44
6	XVII	Municipal Administration and Urban Development (RV)	4293.28	2015.26	47
7	XVIII	Housing (RV)	1401.36	374.16	27
8	XXI	Social Welfare (RV)	1506.87	356.90	24
9	XXI	Social Welfare (CV)	177.45	102.29	58
10	XXIII	Backward Classes Welfare (RV)	1668.17	490.29	29
11	XXV	Women, Child and Disabled Welfare (RV)	1633.78	647.24	40
12	XXVIII	Animal Husbandry and Fisheries (RV)	633.49	131.12	21
13	XXXI	Panchayat Raj (RV)	3546.81	1006.29	28
14	XXXIII	Major and Medium Irrigation (CV)	14052.09	3087.48	22
15	XXXIV	Minor Irrigation (RV)	491.42	269.96	55
16	XXXIV	Minor Irrigation ((CV)	1201.95	430.00	36
17	XXXV	Energy (RV)	6086.40	2836.60	47
18	XXXV	Energy (LV)	152.00	152.00	100
19	XXXVI	Industries and Commerce (RV)	871.74	582.38	67
20	XXXVIII	Civil Supplies Administration (RV)	3710.56	1164.43	31
Total			60749.26	18286.16	30

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

Appendix 2.2

Excess over provision of previous years requiring regularisation

(Refer paragraph 2.3.5; page 41)

(Rupees in crore)

Year	Number of grants/ appropriations	Grant/appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
2004-2005	5 Grants	Revenue : VIII, XIX & XL Capital : XVI Loans : XXXVI	14.83	Explanatory notes are awaited from the Administrative Departments/Finance Department for vetting by the PAG.
	1 Appropriation	Revenue : XXXVI		
2005-2006	10 Grants	Revenue : X, XI, XIX & XXXI Capital : VIII, XIII, XVII, XXXII & XXXIII Loans : XVII	585.82	
	3 Appropriations	Revenue : II, XVI & XXVIII		
2006-2007	7 Grants	Revenue : IX, X, XI & XIV Capital : XVII & XXIX Loans : XXVII	198.72	
	1 Appropriation	Revenue : III		
2007-2008	7 Grants	Revenue : X, XI & XXXII Capital : XVII, XXXIII & XXXV Loans : XXXVI	201.30	
	3 Appropriations	Revenue : II, IV and XIV		
2008-2009	11 Grants	Revenue: II, V, XI, XXIV, XXVI & XXXI Capital: XVII & XXXIX Loans: XIX, XXVII & XXXVI	709.24	
	3 Appropriations	Revenue: II, III & XIII		
		Total	1709.91	

Appendix 2.3 (A)
Cases where Supplementary provision proved unnecessary by
Rupees one crore or more in each case

(Refer paragraph 2.3.7; page 43)

<i>(Rupees in crore)</i>					
Sl.No.	Number and Name of the Grant	Original Provision	Actual expenditure	Saving out of Original provision	Supplementary provision
➤ A Revenue – Voted					
1	I - State Legislature	57.67	51.92	5.75	1.95
2	II – Governor and Council of Ministers	12.82	11.13	1.69	1.42
3	VII – Commercial Taxes Administration	324.82	253.86	70.96	4.01
4	IX - Fiscal Administration, Planning, Surveys and Statistics	8113.49	7315.88	797.61	3.77
5	XI – Roads, Buildings and Ports	1388.25	1329.84	58.41	3.28
6	XII – School Education	8282.26	6666.36	1615.90	74.14
7	XIII – Higher Education	1916.29	1258.74	657.55	16.28
8	XVI – Medical and Health	3688.47	3147.30	541.17	32.49
9	XVII – Municipal Administration and Urban Development	3825.72	2278.02	1547.71	467.56
10	XX – Labour and Employment	331.00	279.24	51.76	35.64
11	XXI – Social Welfare	1438.21	1149.97	288.25	68.65
12	XXII – Tribal Welfare	694.00	611.81	82.19	23.51
13	XXIII – Backward Classes Welfare	1281.56	1177.87	103.69	386.60
14	XXIV – Minority Welfare	226.75	197.88	28.87	7.85
15	XXV – Women, Child and Disabled Welfare	1588.02	986.54	601.48	45.76
16	XXVIII – Animal Husbandry and Fisheries	623.88	502.38	121.50	9.61
17	XXIX – Forest, Science, Technology and Environment	352.04	265.26	86.78	2.75
18	XXXI – Panchayat Raj	2964.32	2540.52	423.80	582.49
19	XXXVI – Industries and Commerce	867.90	289.35	578.55	3.83
20	XXXVII – Tourism, Art and Culture	48.81	31.37	17.43	20.72
21	XXXIX – Information Technology and Communications	42.75	18.92	23.82	5.21
Total Revenue – Voted		38069.03	30364.16	7704.87	1797.52
➤ B Capital – Voted					
22	V – Revenue, Registration and Relief	25.98	6.00	19.98	3.00
23	XVI – Medical and Health	66.37	40.10	26.27	6.15
24	XX - Labour and Employment	16.04	8.18	7.85	6.70
25	XXI – Social Welfare	122.45	75.16	47.29	55.00
26	XXXVI – Industries and Commerce	2.37	2.00	0.38	10.00
Total Capital – Voted		233.21	131.44	101.77	80.85
➤ C Loans – Voted					
27	X – Home Administration	35.70	29.24	6.46	2.00
28	XXII – Tribal Welfare	4.00	2.10	1.90	2.90
Total Loans – Voted		39.70	31.34	8.36	4.90
Grand Total		38341.94	30526.94	7815.00	1883.27

Appendix 2.3 (B)

Cases where Supplementary provision proved excessive by Rupees one crore or more in each case

(Refer paragraph 2.3.7; page 43)

(Rupees in crore)

Sl. No.	Number and Name of the Grant	Original Provision	Actual expenditure	Excess over original provision	Supplementary provision
1	IV General Administration and Elections (RV)	412.80	493.48	80.68	156.62
2	V Revenue, Registration and Relief (RV)	1427.79	3247.36	1819.57	2324.85
3	IX Fiscal Administration, Planning, Survey and Statistics (CV)	124.09	508.53	384.44	510.72
4	X Home Administration (RV)	2953.10	3016.83	63.73	133.71
5.	XIV Technical Education (CV)	0.50	3.44	2.94	22.58
6.	XXII Tribal Welfare (CV)	73.00	151.54	78.54	104.81
7.	XXVII Agriculture (RV)	1476.81	1686.63	211.82	618.76
8.	XXXI Panchayat Raj (CV)	Nil	290.15	290.15	335.80
9.	XXXII Rural Development (RV)	3068.55	3159.24	90.69	388.95
10.	XXXVI Industries and Commerce (LV)	5.71	13.60	7.89	13.60
Total		9542.35	12572.80	3030.45	4610.40

RV: Revenue-Voted, CV: Capital-Voted, LV: Loans-Voted

Appendix 2.3 (C)

Statement of various grants where supplementary provision proved insufficient by more than Rupees one crore each

(Refer paragraph 2.3.7; page 43)

(Rupees in crore)

S. No.	Grant No.	Name of the Grant	Original Provision	Supplementary Provision	Total	Expenditure	Excess
1	X	Home Administration (CV)	7.00	10.50	17.50	22.04	4.54
2	XVI	Medical and Health (LV)	66.56	66.30	132.86	136.59	3.73
3	XVII	Municipal Administration and Urban Development (LV)	Nil	815.00	815.00	859.91	44.91
4	XIX	Information and Public Relations (RV)	134.79	77.75	212.55	222.70	10.15
Total			208.35	969.55	1177.91	1241.24	63.33

RV: Revenue-Voted, CV: Capital-Voted, LV: Loans-Voted

Appendix 2.4

Excess/unnecessary/insufficient re-appropriation of funds
(more than ₹ 10 crore in each case)

(Refer paragraph 2.3.8; page 43)

(Rupees in lakh)

Sl. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Excess(+)/ Saving (-)
1	III	Administration of Justice	2014-00-105-04	(-) 75.23	(+) 1289.46
2	IV	General Administration and Elections	2015-00-104-04	(-) 4271.02	(-) 2456.42
3	V	Revenue, Registration and Relief	2030-03-001-03	(-) 300.00	(-) 1235.69
4			2053-00-093-03	(-) 3.96	(-) 1282.11
5			4250-00-101-04	(-) 430.00	(-) 2070.00
6	IX	Fiscal Administration, Planning, Surveys and Statistics	2070-00-800-09	(-) 4658.52	(-) 5341.48
7			2071-01-101-04	(-) 91149.36	(+) 8002.39
8			2071-01-101-04 (Charged)	(+) 7366.00	(-) 7366.00
9			2071-01-110-08	(+) 1296.52	(-) 1296.53
10			6003-00-111-01 (Charged)	(+) 53770.05	(-) 2209.20
11	X	Home Administration	2055-00-104-04	(+) 182.94	(-) 1180.41
12			2055-00-109-03	(-) 7765.69	(+) 10408.17
13			2055-00-111-04	(-) 1577.50	(+) 1370.29
14	XI	Roads, Buildings and Ports	5054-80-001-04	(-) 9629.24	(-) 1448.67
15	XII	School Education	2202-02-106-05	(-) 596.57	(+) 2013.66
16			2202-02-109-04	(-) 1906.40	(+) 1196.24
17	XIII	Higher Education	2202-03-102-75	(-) 162.00	(-) 3661.26
18	XVI	Medical and Health	2210-01-001-74	(-) 200.00	(-) 1007.10
19			6210-01-190-04	(-) 1224.35	(-) 1273.80
20			6210-80-800-04	(-) 661.05	(+) 2452.88
21	XXI	Social Welfare	2225-01-102-15	(-) 831.51	(-) 1022.65
22			2225-01-277-06	(-) 3876.08	(-) 14531.41
23			2225-01-277-07	(-) 3425.28	(-) 4328.32
24			2225-01-283-08	(-) 35.17	(-) 1775.74
25			2225-01-800-04	(-) 145.00	(+) 105.69
26			2225-01-800-05	(-) 712.84	(+) 537.51
27			4225-01-190-04	(-) 1300.20	(-) 1499.40
28			XXII	Tribal Welfare	2225-02-277-05
29	XXIII	Backward Classes Welfare	2225-03-277-05	(-) 6160.62	(-) 15211.06
30			2225-03-277-07	(-) 2509.65	(-) 1534.68
31			2225-03-277-24	(-) 7170.70	(-) 9037.63
32	XXXI	Panchayat Raj	2215-01-102-03	(+) 100.00	(-) 9214.75
33			2215-01-196-05	(-) 20.00	(-) 2169.33
34			2515-00-196-45	(-) 15000.00	(+) 5993.25
35			2515-00-197-04	(-) 4005.61	(-) 4223.46
36			2515-00-198-08	(-) 2961.52	(-) 3566.93
37	XXXII	Rural Development	2235-60-200-23	(-) 55952.68	(-) 8886.18
38			2235-60-789-23	(-) 11710.79	(-) 1904.48
39			2501-01-800-21	(-) 158.48	(-) 2157.52

40	XXXIII	Major and Medium Irrigation	2701-01-116	(-) 11414.50	(+) 2563.54		
41			2701-01-800	(-) 153.26	(-) 4129.07		
42			4701-01-101	(+) 19065.10	(-) 3101-72		
43			4701-01-103	(-) 342.00	(+) 5215.13		
44			4701-01-106	(-) 1900.00	(-) 1127.80		
45			4701-01-108	(-) 2053.25	(+) 2698.00		
46			4701-01-112 (Charged)	(-) 255.97	(-) 2754.03		
47			4701-01-115	(+) 77.92	(-) 1664.28		
48			4701-01-120	(-) 24216.80	(-) 42792.40		
49			4701-01-122	(-) 213.43	(+) 3708.83		
50			4701-01-122 (Charged)	(+) 1144.00	(-) 1644.00		
51			4701-01-123	(+) 66.59	(-) 1408.11		
52			4701-01-123 (Charged)	(-) 1144.00	(-) 1053.71		
53			4701-01-128	(-) 6119.08	(-) 4702.25		
54			4701-01-131	(+) 1900.00	(-) 3496.47		
55			4701-01-133	(-) 53581.46	(+) 32005.95		
56			4701-01-135	(-) 25636.11	(+) 2239.83		
57			4701-01-138	(-) 4199.00	(-) 12852.39		
58			4701-01-145	(-) 3656.06	(-) 4611.43		
59			4701-01-156	(+) 4068.50	(-) 10881.77		
60			4701-01-157	(+) 1700.00	(-) 1740.50		
61			4701-01-158	(-) 950.00	(-) 1464.55		
62			4701-01-161	(-) 750.00	(-) 3355.01		
63			4701-01-167	(+) 15321.33	(-) 1840.43		
64			4701-01-170	(-) 331.83	(-) 17733.64		
65			4701-01-176	(-) 5935.54	(-) 7275.44		
66			4701-01-178	(-) 3477.21	(-) 1522.79		
67			4701-01-800	(-) 1312.14	(-) 18362.28		
68			4701-03-237	(-) 42.50	(-) 1822.46		
69			4711-01-103-05	(+) 10576.93	(+) 3958.98		
70			4711-03-103-06	(+) 11.00	(-) 1834.41		
71			XXXIV	Minor Irrigation	2702-03-101-07	(-) 185.00	(-) 5341.27
72					2702-03-101-08	(-) 136.00	(-) 2252.14
73					4702-00-101- 21-12	(-) 840.00	(-) 1184.41
74					4702-00-101- 21-15	(+) 7800.00	(-) 7800.00
75					4702-00-789- 21-12	(-) 1620.00	(-) 3055.28
76			XXXV	Industries and Commerce	2852-80-800-13	(-) 2316.00	(-) 2316.00

Appendix 2.5

Results of review of substantial surrenders made during the year

(Refer paragraph 2.3.10; page 45)

<i>(Rupees in crore)</i>				
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 2052-090-(75) Lumpsum Provision	256.94	100
Specific reasons for the surrender of entire provision on 31-03-2010 have not been intimated (August 2010).				
2	XI - Roads, Buildings and Ports	MH 5054-04-789-(04) Road Development Fund – State Allocation Works	100.00	100
Surrender of the entire provision was stated to be due to non-allotment/ sanction of works under Central Road Fund by Government of India.				
3	XIII - Higher Education	MH 2202-03-107-(14) Reimbursement of Tuition Fee to Economically Backward Classes students	350.00	100
Surrender of entire provision was stated to be for meeting the expenditure under B.C. Welfare grant by providing an equal amount in that Grant.				
4	XVII – Municipal Administration and Urban Development	MH 2215-01-190-(08) Assistance to Hyderabad Metropolitan Water Supply and Sewerage Board, Godavari Water Supply	193.00	100
Surrender of entire provision on 31 March 2010 was stated to be due to treating the entire expenditure towards Godavari Water Supply in Greater Hyderabad Municipal Corporation Area as a loan to Hyderabad Metropolitan Water Supply and Sewerage Board				
5	XVII – Municipal Administration and Urban Development	MH 2217-80-191-(56) Assistance to HUDA for Outer Ring Road Project	378.28	100
Out of the total reduction in provision by ₹ 378.28 crore, decrease of ₹ 368.78 crore was stated to be due to treating the expenditure on Outer Ring Road Project as loan to Hyderabad Metro Development Authority. Specific reasons for remaining decrease of ₹ 9.50 crore have not been intimated (August 2010)				
6	XXXV – Energy	MH 6801-205-(12) Loans to A.P. TRANSCO for Krishnapatnam Thermal Power Project	115.20	100
Reasons for non-utilisation of the entire provision have not been intimated (August 2010).				
7	XXXVI – Industries and Commerce	MH 2851-103-(12) Assistance towards Loan Waiver to Weavers	312.00	100
Specific reasons for surrender of the entire provision have not been intimated (August 2010).				

Appendix 2.6

Surrenders (₹ 50 lakh or more in each case) in excess of actual saving
(Refer paragraph 2.3.11; page 45)

(Rupees in crore)

Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Excess(+)/ Saving(-)	Amount surrendered	Amount surrendered in excess
Revenue – Voted					
1	III – Administration of Justice	362.18	(+) 0.85	2.54	2.54
2	VIII – Transport Administration	90.44	(-) 25.45	25.75	0.30
3	X – Home Administration	3086.81	(-) 69.97	189.65	119.68
4	XI – Roads, Buildings & Ports	1391.53	(-) 61.69	224.37	162.68
5	XIV – Technical Education	816.96	(-) 361.13	361.39	0.26
6	XVIII – Housing	1401.36	(-) 374.16	374.22	0.06
7	XIX – Information & Public Relations	212.55	(+) 10.15	10.54	10.54
8	XXV – Women, Child & Disabled Welfare	1633.78	(-) 647.24	657.16	9.92
9	XXXIII – Major & Medium Irrigation	6589.27	(-) 1264.57	1429.34	164.77
Revenue – Charged					
10	I – State Legislature	2.62	(-) 0.98	1.37	0.39
Capital – Voted					
11	IV – General Administration & Elections	3.52	(+) 0.78	1.22	1.22
12	X – Home Administration	17.50	(+) 4.54	5.86	5.86
13	XX – Labour & Employment	22.74	(-) 14.56	17.50	2.94
14	XXVIII – Animal Husbandry & Fisheries	11.27	(-) 6.66	7.79	1.13
Loans – Voted					
15	X – Home Administration	37.70	(-) 8.46	8.96	0.50
16	XVI – Medical & Health	132.86	(+) 3.73	28.19	28.19
	Total	15813.09	(-) 2814.82	3345.85	510.98

Appendix 2.7

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

(Refer paragraph 2.3.12; page 46)

<i>(Rupees in crore)</i>			
Sl. No.	Grant No.	Number and Name of grant/appropriation	Saving
I – Grants			
1	V	Revenue, Registration and Relief (CV)	22.98
2	VI	Excise Administration (CV)	0.01
3	IX	Fiscal Administration, Planning, Surveys and Statistics (CV)	126.28
4	XXIII	Backward Classes Welfare (CV)	20.86
5	XXIV	Minority Welfare (RV)	36.72
6	XXVI	Administration of Religious Endowments (RV)	3.43
7	XXXI	Panchayat Raj (CV)	45.66
8	XXXV	Energy (CV)	10.00
9	XXXV	Energy (LV)	152.00
10	XXXVII	Tourism, Art and Culture (CV)	0.60
11	XL	Public Enterprises (LV)	1.00
		Total	419.54
II – Appropriations			
12	V	Revenue, Registration and Relief (RC)	0.08
13	VII	Commercial Taxes Administration (RC)	0.01
14	XI	Roads, Buildings and Ports (CC)	1.13
15	XII	School Education (RC)	0.09
16	XVI	Medical and Health (RC)	0.05
17	XXXI	Panchayat Raj (RC)	0.10
18	XXXIII	Major and Medium Irrigation (RC)	28.46
19	XXXIV	Minor Irrigation (CC)	8.60
		Total	38.52
Grand Total			458.06

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

Appendix 2.8

Details of saving not surrendered by ₹ 5 crore and above

(Refer paragraph 2.3.12; page 46)

(Rupees in crore)

Sl. No.	Number and Name of grant/appropriation	Saving	Surrender	Un-surrendered saving
(1)	(2)	(3)	(4)	(5)
1	IV – General Administration and Elections (RV)	75.94	59.91	16.03
2	V – Revenue, Registration and Relief (RV)	505.28	308.58	196.70
3	IX – Fiscal Administration, Planning, Surveys and Statistics (RV)	801.38	738.27	63.11
4	IX – Fiscal Administration, Planning, Surveys and Statistics (RC)	194.31	120.60	73.71
5	IX – Fiscal Administration, Planning, Surveys and Statistics (LC)	1807.48	1785.38	22.10
6	XI – Roads, Buildings and Ports (RV)	346.07	322.66	23.41
7	XII – School Education (RV)	1690.04	1560.10	129.94
8	XIII – Higher Education (RV)	673.83	616.54	57.29
9	XVI – Medical and Health (RV)	573.66	506.95	66.71
10	XVI – Medical and Health (CV)	32.42	16.11	16.31
11	XVII – Municipal Administration and Urban Development (RV)	2015.26	797.58	1217.68
12	XX – Labour and Employment (RV)	87.40	51.74	35.66
13	XXI – Social Welfare (RV)	356.90	127.67	229.23
14	XXI – Social Welfare (CV)	102.29	36.52	65.77
15	XXII – Tribal Welfare (RV)	105.70	72.31	33.39
16	XXIII – Backward Classes Welfare (RV)	490.29	199.37	290.92
17	XXVII – Agriculture (RV)	406.95	360.46	46.49
18	XXVIII – Animal Husbandry and Fisheries (RV)	131.12	106.22	24.90
19	XXIX – Forest, Science, Technology and Environment (RV)	89.54	81.63	7.91
20	XXX – Co-operation (RV)	44.10	35.45	8.65
21	XXX – Co-operation (CV)	23.86	18.84	5.02
22	XXXI – Panchayat Raj (RV)	1006.29	412.90	593.39
23	XXXII – Rural Development (RV)	298.25	124.24	174.01
24	XXXIII – Major and Medium Irrigation (CV)	3087.48	1139.58	1947.90
25	XXXIII – Major and Medium Irrigation (CC)	96.97	2.86	94.11
26	XXXIV – Minor Irrigation (RV)	269.96	19.45	250.51
27	XXXIV – Minor Irrigation (CV)	430.00	100.00	330.00
28	XXXV – Energy (RV)	2836.60	0.61	2835.99
29	XXXVI – Industries and Commerce (RV)	582.38	456.79	125.59
30	XXXVI – Industries and Commerce (CV)	10.38	0.38	10.00
31	XXXVI – Industries and Commerce (LV)	5.71	0.62	5.09
32	XXXVII – Tourism, Art and Culture (RV)	38.16	28.99	9.17
33	XXXVIII – Civil Supplies Administration (RV)	1164.43	1124.58	39.85
	Total	20380.43	11333.89	9046.54

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 ₹ 10 crore on
30 and 31 March 2010

(Refer paragraph 2.3.12; page 46)

(Rupees in crore)

Sl. No.	Grant No.	Major Head	Amount of surrender
(1)	(2)	(3)	(4)
1	IV	2015 – Elections	47.30
2		2070 – Other Administrative Services	10.25
3	V	2245 – Relief on account of Natural Calamities	310.42
4	VI	2039 – State Excise	67.35
5	VII	2040 – Taxes on Sales, Trade etc.	38.39
6		2053 – District Administration	29.67
7	VIII	2041 – Taxes on Vehicles	25.75
8	IX	2049 – Interest payments	189.96
9		2052 – Secretariat - General Services	223.84
10		2054 – Treasury and Accounts Administration	21.05
11		2071 – Pension and other retirement benefits	437.67
12		6004 – Loans and Advances from Central Government (Charged)	1785.39
13		7610 – Loans to Government Servants etc.	46.24
14	X	2055 – Police	178.69
15		2070 – Other Administrative Services	10.74
16	XI	2059 – Public Works	33.00
17		3054 – Roads and Bridges	189.98
18		4059 – Capital Outlay on Public Works	212.36
19		5051 – Capital Outlay on Ports Light Houses	116.24
20	XII	2059 – Public Works	35.18
21		2202 – General Education	1524.21
22		4202 – Capital Outlay on Education, Sports, Art & Culture	103.06
23	XIII	2202 – General Education	261.82
24	XIV	2059 – Public Works	30.52
25		2203 – Technical Education	309.87
26		4202 – Capital Outlay on Education, Sports, Art & Culture	19.43
27	XVI	2210 – Medical and Public Health	368.20
28		2211 – Family Welfare	138.75
29		4210 – Capital Outlay on Medical & Public Health	11.16
30		6210 – Loans for Medical and Public Health	28.19
31	XVII	2215 – Water Supply and Sanitation	805.50
32	XVIII	2216 – Housing	374.22
33		6216 – Loans for Housing	28.86
34	XIX	2220 – Information and Publicity	10.54
35	XX	2059 – Public Works	14.58

36		2230 – Labour and Employment	35.57
37		4250 – Capital Outlay on Labour and Employment	17.50
38	XXI	2225 – Welfare of SCs, STs and OBCs	127.67
39		4225 – Capital Outlay on Welfare of SCs, STs and OBCs	36.52
40	XXII	2225 – Welfare of SCs, STs and OBCs	72.31
41		4225 – Capital Outlay on Welfare of SCs, STs and OBCs	23.98
42	XXIII	2225 – Welfare of SCs, STs and OBCs	199.37
43	XXV	2235 – Social Security and Welfare	652.84
44		4235 – Capital Outlay on Social Security and Welfare	45.85
45	XXVII	2401 – Crop Husbandry	342.83
46		3451 – Secretariat - Economic Services	29.82
47	XXVIII	2403 – Animal Husbandry	85.26
48		2405 – Fisheries	20.96
49	XXIX	2402 – Soil and Water Conservation	81.27
50	XXX	2425 – Cooperation	35.45
51		4425 – Capital Outlay on Co-operation	18.84
52		6425 – Loans for Co-operation	12.68
53	XXXI	2215 – Water Supply and Sanitation	63.76
54		2515 – Other Rural Development	349.14
55	XXXII	2235 – Social Security and Welfare	124.18
56	XXXIII	2701 – Major and Medium Irrigation	1428.92
57		4701 – Capital Outlay on Major & Medium Irrigation	1142.44
58	XXXIV	2702 – Minor Irrigation	19.45
59		4702 – Capital Outlay on Minor Irrigation	100.00
60	XXXVI	2851 – Village and Small Industries	430.47
61		2852 – Industries	25.21
62	XXXVII	2205 – Art and Culture	28.59
63	XXXVIII	2236 – Nutrition	1124.58
64	XXXIX	3451 – Secretariat - Economic Services	28.96
		Total	14742.80

Appendix 3.1
Department-wise Pending AC bills at the end of 2009-10
(Refer paragraph 3.1; page 53)

(Rupees in crore)

Sl. No.	Department	Number of AC bills	Amount
1	Agriculture	573	397.33
2	Roads & Buildings	21	0.34
3	Animal Husbandry and Fisheries	28	7.28
4	Medical & Health	86775	99.38
5	Industries	12	2.37
6	Finance	626	31.28
7	Home	2478	114.24
8	Education	20013	96.14
9	Irrigation and Command Area Development	33	0.72
10	Panchayat Raj & Rural Development	1430	50.15
11	BC Welfare	1	#
12	Revenue, Registration & Relief	6299	349.17
13	Municipal Administration & Urban Development	31	7.41
14	General Administration	3388	24.32
15	Tribal Welfare	7	0.29
16	Women Development & Child Welfare	7	0.05
17	Sports & Youth Services	347	8.26
18	Civil Supplies Administration	11	1.21
19	Social Welfare	11	0.05
20	Law	23	4.52
21	Forest, Science and Technology	2	0.02
22	State Election Commission	2	0.02
23	Special Commissioner, AP at New Delhi	1	##
24	Labour, Employment and Training	51	3.47
25	Dr. MCRHRD Institute, Hyderabad	1	0.50
26	Asst. Secretaries to Government, Secretariat Department	153	10.67
	Total	122324	1209.19

#₹ 7680 only ##₹ 34400 only

Appendix 3.2

Statement of bodies and authorities, the accounts of which had not been received

(Refer paragraph 3.3; page 54)

Sl. No.	Name of the body/authority	No. of bodies/ authorities	Years for which accounts had not been received*
Higher Education Department			
1	Universities	14	2004-05 to 2009-10 (34)
2	Aided Colleges	123	1994-95 to 2009-10 (715)
3	AP State Council of Higher Education	1	2009-10 (1)
Panchayat Raj and Rural Development Departments			
4	District Rural Development Agencies	21	2005-06 to 2009-10 (42)
5	District Water Management Agencies	22	2006-07 to 2009-10 (45)
6	Society for Elimination of Rural Poverty	1	2008-09, 2009-10 (2)
Social Welfare Department			
7	District Scheduled Castes Service Coop. Societies	23	2001-02 to 2008-09 (59)
8	AP SC Co-op. Finance Corporation	1	2008-09, 2009-10 (2)
9	AP BC Finance Corporation	1	2004-05 to 2009-10 (6)
10	AP Social Welfare Fund	1	2001-02 to 2009-10 (9)
11	AP Advocates Clerks Welfare Fund	1	2008-09, 2009-10 (2)
12	AP Advocates Welfare Fund	1	2009-10 (1)
13	AP Social Welfare Residential Educational Institution Society	1	2004-05 to 2009-10 (6)
Sports & Youth Services, Tourism, Art and Culture Departments			
14	Society for Training and Employment Promotion	22	2005-06 to 2009-10 (59)
15	AP Sports School	1	2009-10 (1)
16	Sports Authority of Andhra Pradesh	1	2007-08 to 2009-10 (3)
17	National Institute of Tourism and Hospitality Management	1	2009-10 (1)
18	Ravindra Bharathi	1	2006-07 to 2009-10 (4)
Agriculture and Co-operation Departments			
19	AP State Co-op. Union	1	2008-09, 2009-10 (2)
20	AP State Co-op. Mktg. Federation	1	2009-10 (1)
21	AP State Co-op. Rural Irrigation Corporation	1	2005-06 to 2009-10 (5)
Animal Husbandry and Fisheries Department			
22	AP State Fishermen Co-op. Societies Federation	1	2003-04 to 2009-10 (7)
23	Visakha Live Stock Development Agency	1	2007-08 to 2009-10 (3)
24	AP Dairy Development Federation	1	2009-10 (1)
25	AP Live Stock Development Agency	1	2009-10 (1)
Backward Classes Welfare Department			
26	AP Washermen Co-op. Societies	1	2005-06 to 2009-10 (5)
27	AP Study Circle for BC, Guntur	1	2006-07 to 2009-10 (4)
28	AP Study Circle for BC, Anantapur	1	1997-98 to 2009-10 (13)
29	AP Study Circle for BCs, Warangal	1	2006-07 to 2009-10 (4)
30	District Backward Classes Service Coop. Societies	15	2001-02 to 2008-09 (49)

School Education Department			
31	Zilla Grandhalaya Samsthas	22	1998-99 to 2009-10 (106)
32	Zilla Saksharatha Samithis	23	1997-98 to 2008-09 (181)
33	AP Residential Educational Institutional Society	1	2004-05 to 2009-10 (6)
34	AP Study Circle, Hyderabad	1	2007-08 to 2009-10 (3)
35	Swamy Ramanandha Thirtha Rural Institute	1	2007-08 to 2009-10 (3)
36	AP School Educational Society	1	2008-09, 2009-10 (2)
37	AP State Literacy Mission	1	2008-09, 2009-10 (2)
38	AP Open School Society	1	2007-08 to 2009-10 (3)
39	State Institute of Education and Technology	1	2009-10 (1)
40	Hindi Academy	1	2008-09, 2009-10 (2)
Planning Department			
41	Centre for Economic and Social Studies	1	2009-10 (1)
42	AP Invest	1	2007-08 to 2009-10 (3)
43	AP Disaster Mitigation Society	1	2009-10 (1)
Health Medical and Family Welfare Department			
44	Indian Institute of Health and Family Welfare	1	2009-10 (1)
45	APMHIDC	1	2007-08 to 2009-10 (3)
46	AP State TB Society	1	2007-08 to 2009-10 (3)
47	AP Yogadhyayana Parishad	1	2006-07 to 2009-10 (4)
48	AP Medicinal and Aromatic Plant Board	1	2009-10 (1)
49	MNJ Institute of Oncology	1	2008-09, 2009-10 (2)
50	Nizam's Institute of Medical Sciences	1	2007-08 to 2009-10 (3)
51	AP Right to Sight Society	1	2008-09, 2009-10 (2)
52	State Blindness Control Society	1	2006-07 to 2009-10 (4)
53	State TB Office	1	2003-04 to 2009-10 (7)
54	AP State AIDS Control Society	1	2009-10 (1)
55	Sri Venkateswara Institute of Medical Sciences	1	2007-08 to 2009-10 (3)
Irrigation and Command Area Development Department			
56	WALAMTARI	1	2006-07 to 2009-10 (4)
Municipal Administration and Urban Development Department			
57	Quli Qutub Shah Urban Development Authority	1	2008-09, 2009-10 (2)
Tribal Welfare Department			
58	AP Scheduled Tribes Finance Corporation	1	2003-04 to 2009-10 (7)
59	AP Tribal Welfare Ashram Residential Education Institution Society	1	2006-07 to 2009-10 (4)
60	Girijan Co-op. Corporation.	1	2009-10 (1)
Women, Child and Disabled Welfare Department			
61	AP Women's Co-operative Finance Corporation.	1	2006-07 to 2009-10 (4)
62	AP Vikalaangula Co-operative Finance Corporation.	1	2007-08 to 2009-10 (3)
63	Kurnool District Society for Rehabilitation	1	2006-07 to 2009-10 (4)
64	AP Social Welfare Advisory Board	1	2009-10 (1)
Forests, Science, Technology and Environment Department			
65	AP State Council for Science and Technology	1	1997-98 to 2009-10 (13)
66	AP Pollution Control Board	1	2008-09, 2009-10 (2)
Total		342	1480

* Figures in brackets represent number of accounts

Appendix 3.3

Statement showing performance of the autonomous bodies

(Refer paragraph 3.4; page 55)

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 (as of June 2010)
Urban Development Authorities							
1	Hyderabad Metropolitan Development Authority ⁸	2009-2010	2007-2008	2002-2003	2000-2001	2008-2009 2009-2010	15 3
2	Visakhapatnam Urban Development Authority	2008-2009	2006-2007	2004-2005	2001-2002	2007-2008 2008-2009 2009-2010	27 15 3
3	Tirupati Urban Development Authority	2008-2009	2008-09	2006-2007	2001-2002	2009-2010	3
4	Kakatiya Urban Development Authority	2008-2009	2006-2007	2006-2007	1998-1999	2007-2008 2008-2009 2009-2010	27 15 3
5	Vijayawada-Guntur-Tenali-Mangalagiri-Urban Development Authority	2009-2010	2008-2009	2008-2009	2000-2001	2009-2010	3
6	AP Vaidya Vidhana Parishad	2009-2010	2004-2005	2004-2005	1999-2000	2005-2006 2006-2007 2007-2008 2008-2009 2009-2010	51 39 27 15 3
7	AP Khadi Village Industries Board	2009-2010	2007-2008	2002-2003	1999-2000	2008-2009 2009-2010	15 3
8	Sri Satya Sai Urban Development Authority*	2008-2009	2002-2003	*	*	*	*
9	Hyderabad Metropolitan Water Supply & Sewerage Board	2009-2010	2005-2006	2005-2006	Not required as per the bye-laws	2006-2007 2007-2008 2008-2009 2009-2010	39 27 15 3
10	Environment Protection Training and Research Institute	2009-2010	2009-2010	2008-2009		--	--
Integrated Tribal Development Agencies							
11	Bhadrachalam	2009-2010	2007-2008	2007-2008	Not required as per the bye-laws	2008-2009 2009-2010	15 3
12	Seethampet	2009-2010	2007-2008	2007-2008		2008-2009 2009-2010	15 3
13	Srisailem	2009-2010	2006-2007	2006-2007		2007-2008 2008-2009 2009-2010	27 15 3
14	Parvathipuram	2009-2010	2007-2008	2005-2006		2008-2009 2009-2010	15 3
15	Paderu	2009-2010	2006-2007	2004-2005		2007-2008 2008-2009 2009-2010	27 15 3

16	Rampachodavaram	2009-2010	2006-2007	2006-2007		2007-2008 2008-2009 2009-2010	27 15 3
17	Uttoor	2009-2010	2007-2008	2006-2007		2008-2009 2009-2010	15 3
18	Nellore	2009-2010	2008-2009	2006-2007		2009-2010	3
19	K.R. Puram	2009-2010	2007-2008	2004-2005		2008-2009 2009-2010	15 3
20	Eturunagaram	2009-2010	1999-2000	1999-2000		2000-2001 onwards	More than 24

§ The 'Hyderabad Metropolitan Development Authority' was formerly known as "Hyderabad Urban 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 3.5; page 57)

Sl. No.	Name of the Undertaking	Accounts finalised up to	Investment as per the last accounts finalised (₹ in crore)	Remarks/reasons for delay in preparation of accounts
Education Department				
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.
Home Department				
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, Kurnool	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.
Revenue Department				
5	Government Distillery, Narayanaguda, Hyderabad	Revised accounts for 1992-93 and 1993-94 are awaited.	Not available	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.
Finance Department				
6	Andhra Pradesh Government Life Insurance, Hyderabad	2003-04	NIL	Despite constant pursuance by the AG(C&RA) accounts are awaited from 2004-05.
Animal Husbandry and Fisheries Department				
7	Ice-cum-Cold Storage Plant, Tungabhadra Dam.	2006-07	0.12	Audit Certificate for 2006-07 accounts was issued in December 2009. Subsequent accounts were not submitted for certification.
8	Fishnet Making Plant, Tungabhadra Dam	2006-07	3.02	Audit certificate for 2006-07 accounts was issued in July 2009. Subsequent accounts were not submitted for certification.
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 2009-10.

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 2010)

(Refer paragraph: 3.6; page 57)

(Rupees in lakh)

Sl. No.	Department	Up to 2005-06		2006-07		2007-08		2008-09		2009-10		Total	
		N	A	N	A	N	A	N	A	N	A	N	A
1	Agriculture and Cooperation	18	75.72	-	-	-	-	-	-	-	-	18	75.72
2	Animal Husbandry and Fisheries	4	2.63	-	-	-	-	-	-	-	-	4	2.63
3	Education	34	91.54	-	-	1	20.66	-	-	-	-	35	112.20
4	Environment, Forests, Science and Technology	10	102.37	-	-	-	-	-	-	-	-	10	102.37
5	Finance and Planning (Treasuries and Accounts)	6	188.01	1	0.31	-	-	-	-	-	-	7	188.32
6	Health, Medical and Family Welfare	55	174.18	-	-	2	11.03	-	-	-	-	57	185.21
7	Home	13	16.61	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	6	2.21	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	22	196.88	-	-	-	-	-	-	-	-	22	196.88
14	Revenue	260	99.28	-	-	1	0.40	-	-	-	-	261	99.68
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
	Total	462	3398.31	8	46.16	4	32.09	-	-	-	-	474	3476.56

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 / $[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$
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 / $[(\text{Opening balance} + \text{Closing balance of Loans and Advances}) / 2] * 100$
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 minus 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 “ The States’ Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10) ” 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 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-GSDP 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 Bills	: Abstract Contingent Bills
AE	: Aggregate Expenditure
APFRBM Act	: Andhra Pradesh Fiscal Responsibility and Budget Management Act
APGENCO	: Andhra Pradesh Generation Corporation
APIDCL	: Andhra Pradesh Industrial Development Corporation Limited
APLSDA	: Andhra Pradesh Live Stock Development Agency
APMETI	: State Agricultural Management and Extension Training Institute
APMIP	: Andhra Pradesh Micro Irrigation Project
APRPRP	: Andhra Pradesh Rural Poverty Reduction Project
APS e-COPS	: Andhra Pradesh Society for Electronic Computerisation of Police Services
APSACS	: Andhra Pradesh State AIDS Control Society
APSHM	: Andhra Pradesh State Horticulture Mission
APSREGS	: Andhra Pradesh State Rural Employment Guarantee Scheme
APSRDA	: Andhra Pradesh State Rural Roads Development Agency
APSRTC	: Andhra Pradesh State Road Transport Corporation
APSSDCL	: Andhra Pradesh State Seeds Development Corporation Limited
APTRANSCO	: Transmission Corporation of Andhra Pradesh
BE	: Budget Estimates
CAGR	: Compound Annual Growth Rate
CB	: Closing Balance
CE	: Capital Expenditure
CF	: Contingency Fund
CGA	: Controller General of Accounts
CSS	: Centrally Sponsored Schemes

DC Bills	:	Detailed Contingent Bills
DE	:	Development Expenditure
DPIP	:	District Poverty Initiatives Programme
DRDA	:	District Rural Development Agency
DWCRA	:	Development of Women and Children in Rural Areas
DWSM	:	Drinking Water and Sanitation Mission
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
HMWS&SB	:	Hyderabad Metropolitan Water Supply and Sewerage Board
HODs	:	Heads of Departments
IAY	:	Indira Awas Yojana
JNNURM	:	Jawaharlal Nehru National Urban Renewal Mission
LPG	:	Liquified Petroleum Gas
MEFS	:	Macro Economic Framework Statement
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
OU	:	Osmania University
PAC	:	Public Accounts Committee
PD	:	Primary Deficit
PERT Chart	:	Programme/Project Evaluation and Review Technique
PF	:	Provident Fund
RBI	:	Reserve Bank of India
RD	:	Revenue Deficit
RDO	:	Revenue Divisional Officer

RE	:	Revenue Expenditure
RMSA	:	Rashtriya Madhyamik Shiksha Abhiyan
RR	:	Revenue Receipts
RR Act	:	Revenue Recovery Act
RVMA	:	Rajiv Vidya Mission Authority
S&W	:	Salaries and Wages
SAAP	:	Sports Authority of Andhra Pradesh
SBCS	:	State Blindness Control Society
SH&FWS	:	State Health and Family Welfare Society
SSA	:	Sarva Siksha Abhiyan
SSE	:	Social Sector Expenditure
STBCS	:	State TB Control Society
SWSM	:	State Water Supply Mission
TE	:	Total Expenditure
TFC	:	Twelfth Finance Commission
UC	:	Utilization Certificate
VAT	:	Value Added Tax
WMA	:	Ways and Means Advances