

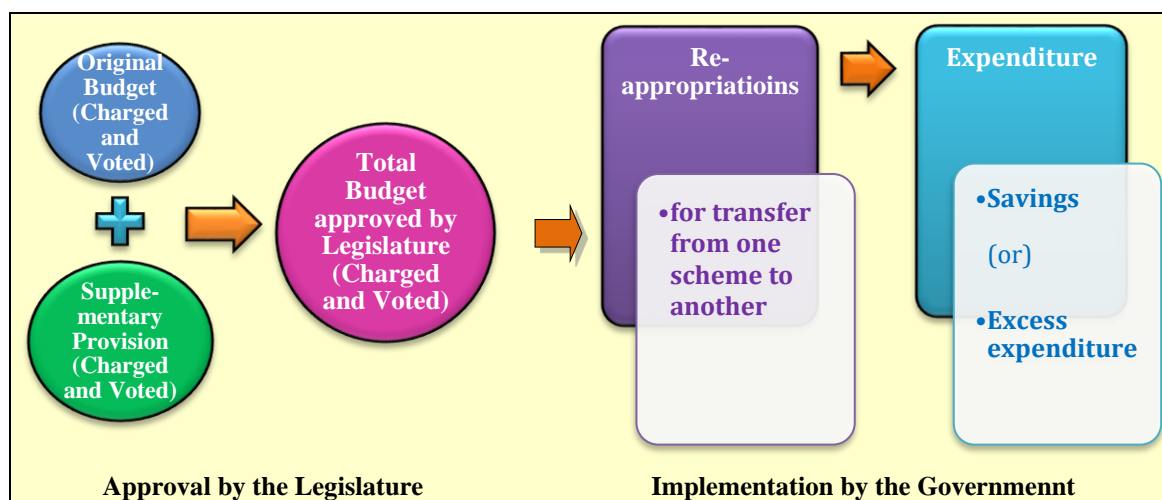
Chapter 2 Financial Management and Budgetary Control

The Comptroller and Auditor General of India performs the audit of Appropriations to ascertain whether the expenditure actually incurred under various Grants underlying the budget is within authorisations given under the Appropriation Act for the year, whether the expenditure required to be charged under provisions of the Constitution is so charged, and whether expenditure is incurred in conformity with the law, relevant rules, regulations and instructions. This Chapter analyses the Appropriation Accounts of the Government for the year 2018-19.

2.1 Financial Accountability and Budget Management

Government of Telangana adopted¹ Codes/Rules/Manuals of Government of Andhra Pradesh with effect from 02 June 2014. The State Legislature initially passes the annual budget proposals of the Government. When the initial allocation is found to be inadequate or expenditure has to be incurred on a new item, the State Government presents Supplementary demands (Para 15.24 of the Budget Manual) before the Legislature for approval. Re-appropriation is a mechanism which allows the State Government to transfer savings from one sub-head (usually a scheme) to another, provided such transfers occur within the same Grant² and under the same section³. Appropriation Accounts captures the data along the entire process of budget formulation and implementation (*Chart 2.1*).

Chart 2.1: Flow chart of budget implementation



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

¹ G.O.Ms.No.69, Finance (TFR) Department, dated 30 May 2016 and in accordance with Section 101 of the Andhra Pradesh Reorganisation Act-2014

² Grant means the amount voted by the Legislative Assembly in respect of a demand for Grant

³ Capital, Revenue and Loans sections

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure in 2018-19 against 40 Grants / Appropriations is in **Table 2.1**.

Table 2.1: Position of actual expenditure vis-à-vis allocations in 2018-19

(₹ in crore)

Nature of expenditure		Original	Supple- mentary	Total	Actual Expenditure	Savings (-) / Excess (+) with reference to total budget	Savings (-) / Excess (+) in percentage
Voted	Revenue	1,13,443.99	7,314.35	1,20,758.34	88,414.06	(-)32,344.28	(-)27
	Capital	33,188.31	14,271.83	47,460.14	22,826.82	(-)24,633.32	(-)52
	Loans and Advances	9,035.55	1,648.46	10,684.01	8,711.54	(-)1,972.47	(-)18
Total Voted		1,55,667.85	23,234.64	1,78,902.49	1,19,952.42	(-)58,950.07	(-)33
Charged	Revenue	12,065.72	166.37	12,232.09	12,809.35	577.26	5
	Capital	180.79	96.35	277.14	92.79	(-)184.35	(-)67
	Public Debt-Re- payment	6,594.48	1,044.72	7,639.20	28,715.64*	21,076.44	276
Total Charged		18,840.99	1,307.44	20,148.43	41,617.78	21,469.35	107
Grand Total		1,74,508.84	24,542.08	1,99,050.92	1,61,570.20	(-)37,480.72	(-)19

Source: Appropriation Accounts

* includes repayment of Ways and Means Advances (WMA) of ₹21,823 crore

As seen from above table, the total provision in 2018-19 was ₹1,99,050.92 crore. The actual gross expenditure during the year was ₹1,61,570.20 crore (81 per cent). There was an overall savings of ₹66,614.41 crore and excess of ₹29,133.69 crore which resulted in net savings of ₹37,480.72 crore in 2018-19.

2.3 Analysis of Expenditure

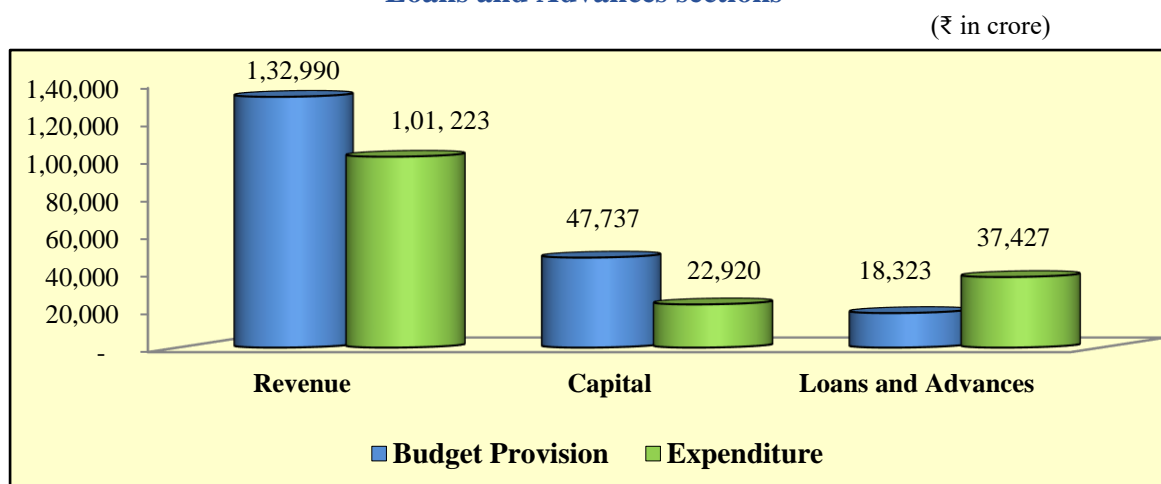
2.3.1. Revenue, Capital, Loans and Advances

As per para 15.10 of the Budget Manual, the Government expenditure is categorised into three sections (i) Revenue Expenditure⁴, (ii) Capital Expenditure⁵ and (iii) Loans and Advances⁶. The Budget provision *vis a vis* expenditure under Revenue, Capital and Loans and Advances sections is shown below in **Chart 2.2**:

⁴ Revenue Expenditure is the account of current expenditure of the State. For example, wages, salaries, maintenance works and repairs *etc.*

⁵ Capital Expenditure means expenditure of a Capital nature such as construction of irrigation projects, bridges, buildings, laying of roads and electricity projects *etc.*

⁶ Loan account is the account of public debt discharged and loans and advances made by the State Government to local bodies, employees and others including recoveries

Chart 2.2: Budget provision and expenditure under Revenue, Capital and Loans and Advances sections

Source: Appropriation Accounts

It can be seen from above chart that savings occurred in both Revenue and Capital Account, while Excess expenditure occurred in Loans and Advances.

- **The savings are substantial under Capital Account, as the actual expenditure was less than even half of the Budget provision.** The projects / activities in which budget provisions could not be spent in full, resulting in huge savings were:
 - Kaleshwaram Project (₹4,774.23 crore, 78 per cent);
 - Special Development Fund for welfare and development activities (₹1,931.36 crore, 85 per cent);
 - J. Chokka Rao Devadula Lift Irrigation Scheme (₹1,831.86 crore, 93 per cent);
 - Sitarama Lift Irrigation Project (₹1,038.32 crore, 85 per cent); and
 - Mission Kakatiya (₹952.59 crore, 59 per cent).
- Revenue Expenditure (₹1,01,223 crore) was lower than the Budget Estimates (₹1,32,990 crore) by 24 per cent. The projects / activities in which budget provisions could not be spent in full resulting in huge savings were:
 - Investment Support Scheme viz., Rythu Bandhu (₹1,403.54 crore) under Agriculture,
 - State Finance Commission Grants to Gram Panchayats (₹1,132.05 crore) under Panchayat Raj,
 - Economic Support Schemes and Land Purchase Scheme (₹1,101.28 crore) under Social Welfare and
 - Construction of Two Bed Rooms House to the Rural Poor (₹968 crore) under Housing Grants.
- Expenditure on Loans and Advances section was in excess (₹19,104 crore) of Budget Estimates, mainly on account of repayment of Ways and Means Advances (₹21,823 crore). Thus, Budget Estimates were made without proper analysis of actual needs.

2.3.2. Grant-wise analysis

As per the Budget Manual, the authority administering a Grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned Grant or Appropriation. The Budget Provisions and expenditure by Telangana Government is done through 40 different Grants. For the purpose of determining savings or Excess expenditure under each Grant, (i) Revenue (voted), (ii) Revenue (charged), (iii) Capital (voted), (iv) Capital (charged), (v) Loans (voted) and (vi) Loans (charged) sections are treated as independent Grants. Out of the total such possible 240 Grants, the State Government made allocations or incurred expenditure under 106 Grants during the year 2018-19. Out of these 106 Grants / Appropriations for which Budget provisions made or expenditure was incurred during 2018-19, there was neither Excess expenditure nor savings in respect of one Grant and one Appropriation. In respect of remaining 104 Grants / Appropriations, Excess expenditures and savings for Grants / Appropriations under Revenue, Capital and Loans and Advances sections are in **Table 2.2**. The Grants in which high savings and high Excess expenditure occurred are listed in **Appendix 2.1**.

Table 2.2: Total excess or savings under different Grants

Description	Revenue		Capital		Loans and Advances		Amount (₹ in crore)
	Number of Grants ⁷	Number of Appropriations ⁸	Number of Grants	Number of Appropriations	Number of Grants	Number of Appropriations	
Excess expenditure occurred in	3 ⁹	1 ¹⁰	2 ¹¹	---	2 ¹²	1 ¹³	29,133.69
Savings occurred in	37	8	31	5	14	---	66,614.41

Source: Appropriation Accounts

The Excess expenditure of ₹29,133.69 crore in nine Grants / Appropriations mentioned above includes two instances wherein an expenditure of ₹2,400 crore was incurred without even budget provisions, Original or Supplementary (**Refer Box 2.1**).

2.3.2.1 Excess expenditure

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

⁷ Grants are the provisions voted by the Legislature for incurring voted expenditure

⁸ Appropriation is the provision made in the budget for incurring expenditure which is directly charged and not subject to the voting of the Legislature

⁹ IX-Fiscal Administration, Planning, Surveys and Statistics (₹3,990.45 crore), X-Home Administration (₹773.25 crore) and VI-Excise Administration (₹27.35 crore)

¹⁰ IX-Fiscal Administration, Planning, Surveys and Statistics (₹794.72 crore)

¹¹ XXIX-Forest, Science, Technology and Environment (₹68.42 crore) and V-Revenue, Registration and Relief (₹3.06 crore)

¹² XXI-Social Welfare (₹1,500.00 crore) and XXII-Tribal Welfare (₹900.00 crore)

¹³ IX-Fiscal Administration, Planning, Surveys and Statistics (₹21,076.44 crore)

- (i) **Excess expenditure in current year:** It was observed that Excess expenditure of ₹29,133.69 crore was incurred in seven Grants and two Appropriations (including public debt) (details in **Appendix 2.2**).
- The Excess expenditure of ₹21,076.44 crore under Grant IX – Fiscal Administration, Planning, Surveys and Statistics (Loans Charged) was mainly due to Excess expenditure in repayment of Ways and Means Advances¹⁴ (₹20,723.27 crore) to the Reserve Bank of India under Loans charged section.
 - Excess expenditure of ₹773.25 crore in Grant X – Home Administration (Revenue Voted) was mainly under Minor Head “District Police”¹⁵ (₹574.83 crore).

Box 2.1: Expenditure without authorisation of the Legislature

Reports of the Comptroller and Auditor General of India on State Finances had highlighted the issue of incurring expenditure without budget provisions authorised by Legislature in earlier years. This trend, however, continued in 2018-19 also.

An expenditure of ₹3,507.17 crore was incurred (at sub-head level) on various schemes without any budget provision, *i.e.*, either in Original or in Supplementary provisions in 34 cases in 2018-19 (details in **Appendix 2.3**). Out of this, in 10 cases, an expenditure of ₹442.11 crore was incurred through issue of Re-appropriation orders (*refer to paragraph 2.5 for further details on Re-appropriations*).

These amounts were mainly spent on:

- Loans to Telangana State Scheduled Castes Cooperative Development Corporation Limited (₹1,500.00 crore);
- Loans to Telangana State Scheduled Tribes Cooperative Finance Corporation Limited (₹900.00 crore);
- Subvention from Central Road Fund (₹279.08 crore);
- Transfer to Rural Development Fund (₹ 144.85 crore);
- Nationwide Emergency Response System (₹25.00 crore) and
- Loans to TRANSCO for Modernisation and Strengthening of Transmission System in Hyderabad Metropolitan Area (₹16.10 crore).

Incurring huge expenditure persistently without approval of the budget provision by the Legislature not only undermines the authority of the Legislature but also is in violation of the will of the Legislature.

This is in violation of Article 204 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

¹⁴ Total provision ₹1,100 crore; actual expenditure ₹21,823.27 crore

¹⁵ Total provision ₹2,284.31 crore; actual expenditure ₹2,859.14 crore

- (ii) **Persistent Excess expenditures:** Cases of Excess expenditure are being reported every year through Audit Reports on State Finances. There were, however, Grants in which Excess expenditure has occurred persistently during last four years. The details are in **Table 2.3:**

Table 2.3: Grants in which persistent Excess expenditure occurred in last four years

(₹ in crore)

Sl. No.	Number and Name of the Grant	Amount of Excess expenditure			
		2015-16	2016-17	2017-18	2018-19
1.	IX-Fiscal Administration, Planning, Surveys and Statistics (Revenue Voted)	4,934.94	4,334.47	2,592.63	3,990.45
2.	X-Home Administration (Revenue Voted)	328.30	1,040.21	958.49	773.25

Source: Appropriation Accounts

It is important to note that the persistent Excess expenditures have mainly occurred in the Finance Department. Such repeated Excess expenditures over Grants approved by the Legislature indicate lack of control mechanism and financial discipline.

Recommendation 5: Finance Department should ensure that no expenditure is incurred without budget provision or in excess to what has been passed by the Legislature. Government may analyse the reasons for persistent Excess expenditure, placing Grant IX – Fiscal Administration on priority.

2.3.2.2 Excess expenditure requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get Excess expenditure over a Grant / Appropriation regularised by the State Legislature. The Excess expenditure was to be regularised after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes (EN) for Excess expenditure to PAC through Finance Department.

The State Government, however, did not get the Excess expenditure amounting to ₹55,517.30 crore over and above the allocation, pertaining to the years 2014-15 to 2017-18, regularised as of February 2020 as shown in **Table 2.4.**

Table 2.4: Details of Excess expenditure to be regularised

(₹ in crore)

Grant Description	2014-15		2015-16		2016-17		2017-18	
	No. of Grants/ Appropriations	Amount	No. of Grants/ Appropriations	Amount	No. of Grants/ Appropriations	Amount	No. of Grants/ Appropriations	Amount
Revenue Voted	--	--	4	5,361.08	10	6,261.27	7	4,578.26
Revenue Charged	1	1.42	1	9.37	3	13,127.30	1	342.74
Capital Voted	3	294.98	2	2.78	4	1,762.83	2	341.10
Loans Voted	2	7.25	2	507.56	2	10.19	1	122.06
Public Debt	--	--	--	--	--	--	1	22,787.11
Total		303.65		5,880.79		21,161.59		28,171.27

Source: Appropriation Accounts

Recommendation 6: All the existing cases of Excess expenditure need to be regularised on priority. State Government may place a mechanism to check Excess expenditures which did not have the vote of State Legislature.

2.3.2.3 Savings

In the year 2018-19, the total savings were ₹66,614.41 crore. Of this, ₹61,856.44 crore (93 per cent) pertain to 39 Grants with savings of more than ₹100 crore each and by more than 20 per cent of the total provision (*Appendix 2.4*).

In addition, during the years 2014-19, there were cases of persistent savings of more than ₹1,000 crore each in the following six Grants as shown in *Table 2.5*:

Table 2.5: Grants / Appropriations with persistent savings during the years 2014-19

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Savings rupees in crore (<i>per cent</i>)				
			2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Voted							
1.	XVI	Medical and Health	1,299.38(36)	1,396.21(30)	2,724.28(41)	1,497.61(27)	2,010.86(33)
2.	XVII	Municipal Administration and Urban Development	2,646.79(70)	1,286.68(40)	4,121.44(75)	3,085.72(67)	4,034.91(67)
3.	XXI	Social Welfare	2,196.51(69)	3,550.73(57)	3,309.19(53)	3,812.20(40)	4,539.33(38)
4.	XXVII	Agriculture	1,863.17(26)	1,366.57(20)	1,598.21(24)	1,344.18(24)	4,178.21(31)
Capital Voted							
5.	XI	Roads, Buildings and Ports	1,377.91(52)	3,121.91(61)	1,929.95(36)	2,041.38(46)	2,568.17(63)
6.	XXXI	Panchayat Raj	2,003.68(90)	1,121.21(38)	1,199.80(35)	3,881.15(59)	1,142.00(19)

Source: Appropriation Accounts

It can be seen from the above that there is a marked increase in savings in Agriculture and Municipal Administration and Urban Development Grants in 2018-19.

Persistent savings indicate that the schemes under these Grants did not receive the required priority by the Government or that there was inefficiency in implementation by the Departments concerned / implementing agencies, or both.

Further analysis of data at the subhead level revealed that entire original provision made (₹15,482.99 crore) was withdrawn through Re-appropriation orders in respect of 25 cases, wherein the budget allocation was more than ₹100 crore in each case. No expenditure was incurred in 24 out of these 25 cases. Such cases indicate that the State Government did not take up the budgetary plans at all. The following are a few major cases:

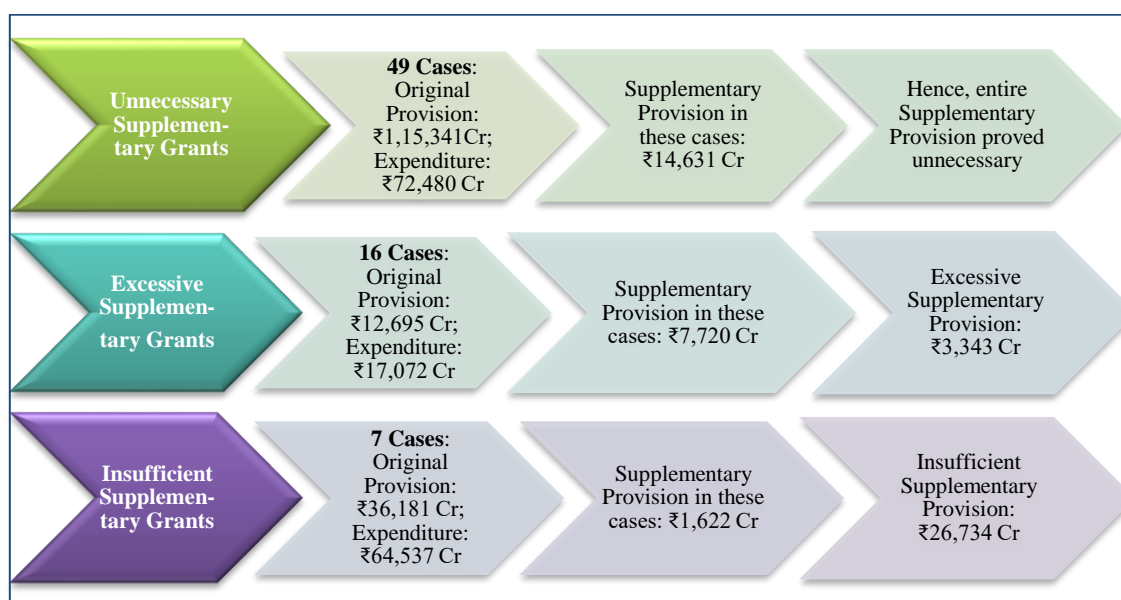
- Resettlement and Rehabilitation under Kaleshwaram Project (₹600 crore);
- Hyderabad Metro Airport Express under Urban Development (₹400 crore);
- Musi Riverfront Development under Urban Development (₹377.35 crore); and
- Vaddileni Runalu under Crop Husbandry (₹377.35 crore).

2.4 Supplementary Provisions

A Supplementary Provision is made, as per Article 205 of the Constitution, if the amount authorised by the Appropriation Act is found to be insufficient or when a need has arisen for supplementary or additional expenditure upon some New Service.

Out of total 106 Grants / Appropriations used during the year, there were Supplementary Provisions in respect of 86 Grants/Appropriations amounting to ₹24,542 crore. Audit analysis showed that Supplementary Grant (Rupees one crore and above) of ₹17,974 crore¹⁶ i.e., 80 per cent of total Supplementary Grant was either unnecessary or excessive in 65 cases. On the other hand, in 7 cases the Supplementary Grant of ₹1,622 crore was not adequate to meet the requirement and fell short by 94 per cent (Chart 2.3).

Chart 2.3: Unnecessary, Excessive and Insufficient Supplementary Provisions



Source: Appropriation Accounts

The cases where Supplementary Provision of more than ₹500 crore was made and was proved unnecessary are detailed in **Table 2.6**:

¹⁶ ₹14,631 crore + ₹3,343 crore

Table 2.6: Cases where Supplementary Provision of more than ₹500 crore proved unnecessary

(₹ in crore)

Sl.No.	Grant No.	Grant Name	Original	Supplementary	Total	Expenditure	Savings(-)/Excess(+)
1	XXXIII (Capital Voted)	Major and Medium Irrigation	11,707.68	7,493.25	19,200.93	7,957.48	(-)11,243.45
2	XXVII (Revenue Voted)	Agriculture	12,368.08	1,039.74	13,407.82	9,229.61	(-)4,178.21
3	XVII (Revenue Voted)	Municipal Administration and Urban Development	5,145.06	851.50	5,996.56	1,961.65	(-)4,034.91
4	XXXVI (Revenue Voted)	Industries and Commerce	1,107.32	578.10	1,685.42	481.57	(-)1,203.85
5	XI (Capital Voted)	Roads, Buildings and Ports	3,474.55	577.83	4,052.38	1,484.21	(-)2,568.17

Source: Appropriation Accounts

As seen from the above table, unnecessary Supplementary Provision was observed highest under Major and Medium Irrigation (Capital Voted: ₹7,493.25 crore) and Agriculture (Revenue Voted: ₹1,039.74 crore) Grants.

Further analysis of data at the subhead level revealed that entire Supplementary Provision made (₹619.36 crore) was withdrawn through Re-appropriation orders and no expenditure was incurred in respect of 27 cases. Such cases indicate that either the necessity for obtaining a Supplementary Provision was not assessed properly before obtaining approval or the scheme /activity was not taken up despite getting approval through Supplementary Provisions. The following are few major items:

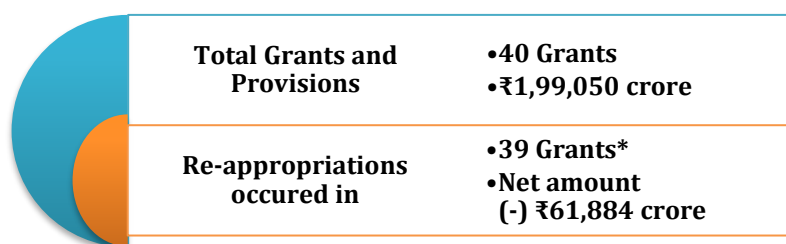
- Assistance to Telangana State Industrial Infrastructure Corporation for development of e-City Project at Raviryal (₹207.60 crore);
- Assistance to TSIIC for Electronic Manufacture Cluster project at Maheswaram (₹138.60 crore); and
- Safe City Project for safety of Women in Hyderabad City (Nirbhaya Fund) (₹138.57 crore).

2.5 Re-appropriations

By definition, Re-appropriations are meant for transfer of saving from one scheme / unit to another (generally at sub-head level and below) within the same Grant and under same section (*i.e.*, Capital, Revenue or Loans). Finance Department, however, issued re-appropriation orders to mainly withdraw the budget provisions, generally on the last day of the financial year.

The utilisation of Re-appropriations in 2018-19 is depicted in **Chart 2.4**.

Chart 2.4: Re-appropriation in the overall budget



Source: Appropriation Accounts

* except Grant I – State Legislature, where there were no Re-appropriations

It can be noted from the above chart that 31 per cent of the provisions approved by the Legislature were withdrawn by Government through Re-appropriation orders. There were deficient / irregular / unnecessary Re-appropriations as detailed in **Table 2.7** below:

Table 2.7: Deficient / irregular / unnecessary Re-appropriations in 2018-19

(₹ in crore)

Sl. No.	Description	No. of Cases	Original	Supplementary	Original plus Supplementary	Re-appropriation	Actual Expenditure	Excess (+) / Savings (-)
at Sub Head Level								
1	Re-appropriation orders issued for withdrawal of entire provision despite actual expenditure	1	362.26	0	362.26	(-)362.26	362.26	362.26
2	Re-appropriation orders for decrease though there was excess expenditure	37	3,612.57	563.31	4,175.88	(-)814.23	5,612.89	1,437.01
3	Re-appropriation orders for augmentation though there were savings	6	97.82	0.04	97.86	55.66	0.20	(-)97.66
at Detailed Head Level								
4	Re-appropriation without Budget Provision	154	0	0	0	1,264.82	1,235.16	1,235.16
5	Re-appropriation orders for higher amounts than the budget provisions	301	5,846.39	1,971.41	7,817.80	(-)10,674.77	668.60	(-)7,149.20
6	Re-appropriation orders issued for withdrawal of entire provision despite actual expenditure (Charged section)	1	155.29	0	155.29	(-)155.29	108.33	108.33
7	Re-appropriation orders for augmentation without any expenditure	32	99.88	1.00	100.88	270.36	0	(-)100.88

Source: Appropriation Accounts

The above table indicates that the mechanism of issue of Re-appropriation orders was not mapped properly with the budget provisions and expenditure data. The Finance Department stated that the Re-appropriation / Resumption orders were not linked to IMPACT / IFMS software.

Recommendation 7: *By leveraging advancements in Information Technology, the State Government may issue Re-appropriation orders on the basis of real-time data so that the funds are utilised in an optimum manner.*

2.6 Rush of Expenditure

Maintaining uniform pace of expenditure is a crucial component of sound public financial management. Any rush of expenditure in the closing month of the financial year should be avoided.

- During 2018-19, out of the total expenditure of ₹1,61,570.20 crore, an amount of ₹55,077.98 crore (34.09 *per cent*) was spent in the last quarter of the financial year. However, it was observed that an amount of ₹50,179.11 crore (32.92 *per cent* of the total receipts of ₹1,52,447.94 crore) was received during the last quarter only. The expenditure during the last quarter this year was higher by 6.03 *percentage* points in comparison to 2017-18 when the expenditure during the last quarter was ₹41,848.98 crore (28.06 *per cent* of the total expenditure of ₹1,49,127.91 crore).
- A Budget Provision of ₹2,400 crore was allocated under 4801 - Capital Outlay on Power Projects. Out of this, expenditure of ₹1,800 crore (75 *per cent*) was incurred in the month of March 2019.

2.7 Advances from 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, where upon the advances from the Contingency Fund are recouped to the Fund.

In 2018-19, an amount of ₹17.18 crore was sanctioned as advance from Contingency Fund under six Major Heads¹⁷. Out of this, an expenditure of ₹15.96 crore was incurred towards decretal charges and to deposit amounts in different courts in connection with acquisition of lands for various developmental activities of the Government. An amount of ₹15.07 crore was recouped back to the Contingency Fund. Audit observed the following:

¹⁷ (i) District Administration (MH:2053) - ₹1.11 crore; (ii) Police (MH: 2055) - ₹0.26 crore; (iii) Urban Development (MH:2217) - ₹0.32 crore, (iv) Capital outlay on Medical and Health (MH:4210) - ₹0.75 crore, (v) Capital outlay on Forestry and Wild Life (MH:4406) - ₹0.49 crore and (vi) Capital outlay on Roads and Bridges (MH:5054) - ₹14.25 crore

- Out of the incurred expenditure of ₹15.96 crore, an amount of ₹13.86 crore was only recouped. An amount ₹2.10 crore¹⁸ remained un-recouped to the Contingency Fund, as the advances were drawn and spent (March 2019) after Supplementary Estimates were presented (February 2019) to the Legislature.
- No expenditure was incurred in respect of ₹1.21 crore¹⁹ sanctioned as an advance from Contingency Fund. The amounts, however, were recouped back. Finance Department could not furnish any reasons for not incurring expenditure after drawing advances by various Departments from the Contingency Fund
- Further, in respect of ₹0.01 crore drawn by Collector, Nalgonda district, neither expenditure was incurred, nor recoupment took place.

This indicates that the advances from Contingency Fund were not drawn with due diligence; were not spent after drawal; and were not fully recouped within the financial year.

2.8 Review of selected Grants

A detailed scrutiny of two Grants viz., (i) Grant No. IX–Fiscal Administration, Planning, Surveys and Statistics and (ii) Grant No. XXVII –Agriculture was conducted in audit. At an aggregate level, there were savings under Agriculture Grant and Excess under Fiscal Administration, Planning, Surveys and Statistics Grant.

The Expenditure fell short of even Original Budget under Agriculture (*Table 2.8*) making the Supplementary Provisions unnecessary. On the other hand, the Supplementary Provisions under Fiscal Administration, Planning, Surveys and Statistics Grant were found to be insufficient.

Table 2.8: Budget provisions, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

Section	Original	Supple- mentary	Total	Expenditure	Savings(-) /Excess(+)
Grant No. IX-Fiscal Administration, Planning, Surveys and Statistics					
Voted					
Revenue	12,871.13	9.77	12,880.90	16,871.35	(+)3,990.45
Capital	2,484.10	10.00	2,494.10	495.22	(-)1,998.88
Loans	145.23	46.17	191.40	62.10	(-)129.30
Total	15,500.46	65.94	15,566.40	17,428.67	(+)1,862.27
Charged					
Revenue	11,788.38	5.38	11,793.77	12,588.49	(+)794.72
Public Debt	6,594.48	1,044.72	7,639.20	28,715.64	(+)21,076.44
Total	18,382.86	1,050.10	19,432.97	41,304.13	(+)21,871.16

¹⁸ Hyderabad International Airport (₹1.73 crore), Telangana State Road Sector Project (0.22 crore) and Telangana Special Police Units (₹0.15 crore)

¹⁹ Construction of Medical Colleges and Hospitals (₹0.75 crore), Assistance to HMDA (₹0.32 crore), District Police Force (₹0.10 crore) and Major District Roads (₹0.04 crore)

Section	Original	Supple- mentary	Total	Expenditure	Savings(-) /Excess(+)
Grant No. XXVII-Agriculture					
Voted					
Revenue	12,368.08	1,039.74	13,407.82	9,229.61	(-) 4,178.21
Capital	279.51	828.84	1,108.35	769.35	(-) 339.00
Loans	86.48	0.00	86.48	45.44	(-)41.04
Total	12,734.07	1,868.58	14,602.65	10,044.40	(-)4,558.25

Source: Appropriation Accounts

Audit Findings on the above Grants are detailed in the subsequent paragraphs:

(i) **Fiscal Administration, Planning, Survey and Statistics (Grant IX)**

- The main reason for Excess expenditure under this Grant was due to Ways and Means Advances (WMA) from Reserve Bank of India (RBI). The WMA are provided by RBI to States to temporarily tide over for maintaining minimum cash balance with it. An amount of ₹100 crore was provided originally, which was later supplemented by another ₹1,000 crore. The actual repayment of WMA during 2018-19 was ₹21,823 crore (*refer to paragraph 1.6.4 for further details on WMA*).
- An amount of ₹2,974.58 crore was spent on ‘Service Pension allocable to Successor State of Telangana’ in 2017-18. However, the budget provision in 2018-19 was only ₹23.40 crore. The final expenditure in the current year was ₹1,963.53 crore for this item indicating that the budget provision was very meagre, unrealistic and not based on the previous year’s expenditure pattern.
- The expenditure on interest on State Development Loans was ₹9,609.83 crore against the budget provision of ₹8,315.55 crore leading to Excess expenditure of ₹1,294.28 crore on this account. This proves that the interest liability of State Government was not assessed properly in the Budget Estimates. No amounts were provided through Supplementary Estimates either. Though an amount of ₹403.79 crore was augmented through Re-appropriation orders there was still an Excess expenditure of ₹890.48 crore. This indicates that the Supplementary Provisions and Re-appropriations was not done on a realistic basis.

(ii) **Agriculture (Grant XXVII)**

- A saving of ₹1,403.54 crore occurred against a provision of ₹9,056.40 crore in respect of Investment Support Scheme (Rythu Bandhu), which is a new scheme commenced from 2018-19;
- A saving of ₹410.16 crore occurred under Crop Insurance where in an allocation of ₹443.69 crore was made and an expenditure of ₹33.53 crore only was incurred up to the end of the current year.
- Though a budget allocation of ₹377.35 crore, was made for Vaddileni Runalu (Pavalavaddi) scheme, no expenditure was incurred as entire amount was withdrawn through Re-appropriation orders.

- Similarly, in respect of Rashtriya Krishi Vikas Yojana, a budget allocation of ₹203.54 crore made originally was supplemented with an amount of ₹167.73 crore. The entire amount of ₹371.27 crore was withdrawn through Re-appropriation orders.
- Savings of more than ₹100 crore occurred in other key schemes as well: Farm Mechanisation (₹336.32 crore), Integrated scheme on Agriculture Marketing (₹218.74 crore), Pradhan Mantri Krishi Sinchayi Yojana (₹249.71 crore), Buildings (₹150.76 crore), Scheme for Debt relief to farmers (₹140.57 crore), Supply of seeds to farmers (₹114.74 crore).
- **Rush of expenditure:** As per Article 39 of the Telangana Financial Code, no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. However, in Telangana State Micro Irrigation Project (TSMIP) and promotion of Horticulture Activities, the entire expenditure of ₹72.32 crore and ₹7.89 crore respectively was incurred in the month of March 2019.

2.9 Special Development Fund

Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilisation of Financial Resources) Act, 2017 requires that all Departments should earmark at least 15.45 per cent and 9.08 per cent of the total outlay in the Budget exclusively under the Scheduled Castes and Scheduled Tribes Special Development Funds (SCSDF and STSDF) respectively. Programmes under SCSDF and STSDF include subsidies for scholarships, construction of roads in SC/ST hamlets, etc.

Government allocated ₹16,452.79 crore²⁰ and ₹9,693.12 crore²¹ to SCSDF and STSDF respectively in 2018-19. However, 62 per cent and 43 per cent²² of the allocated funds were not utilised under SCSDF and STSDF respectively. This issue was reported earlier also as the utilisation was only 54 per cent each under SCSDF and STSDF in 2017-18 and 60 and 57 per cent respectively in 2016-17.

2.10 Deficiencies in Budgeting

2.10.1. Improper Categorisation between Capital and Revenue

2.10.1.1. Allocation of Budget in Revenue Section for irrigation projects under construction instead of under Capital Section.

Kaleshwaram Project and Palamuru Ranga Reddy Lift Irrigation Schemes are under execution, and hence the requirement of funds was under 'Capital'. Funds were, however, allocated under 'Revenue' as shown below in **Table 2.9**.

²⁰ ₹14,706.55 crore towards all Departments and ₹1,746.24 crore towards non-divisible infrastructure works

²¹ ₹8,944.73 crore towards all Departments and ₹748.39 crore towards non-divisible infrastructure works

²² SCSDF: Budget (O+S): ₹15,694.59 crore, Expenditure: ₹5,897.89 crore (38 per cent) and Savings: ₹9,796.70 crore (62 per cent); STSDF: Budget (O+S): ₹9,231.51 crore, Expenditure: ₹5,280.85 crore (57 per cent) and Savings: ₹3,950.66 crore (43 per cent)

Table 2.9: Budget provision for Projects under Construction in Revenue Section

(₹ in crore)

Project	Dam and Appurtenant Works		Canals and Distributaries	
	Provision	Expenditure	Provision	Expenditure
Kaleshwaram Project	2,689.00	0.00	2,697.41	0.00
Palamuru Ranga Reddy Lift Irrigation Scheme	2,021.50	0.00	0.01	0.00

Source: Appropriation Accounts

The provisions under Revenue were withdrawn and no expenditure was actually incurred under 'Revenue' leading to savings under this section. The same amounts were later allocated under 'Capital' as Supplementary Provision.

2.10.1.2. Allocation of Budget under Capital Section for Afforestation Fund instead of Revenue

An amount of ₹100 crore was provided under Capital section in respect of 'Afforestation Fund' for minor works, which fall under Revenue Section. The expenditure of ₹209.06 crore was also booked under Capital section. Thus, making incorrect provision under Capital instead of under Revenue in Budget Estimates and incurring expenditure under Capital resulted in inflation of Capital Expenditure and understatement of Revenue Expenditure.

2.10.2. Opening new sub-heads without concurrence of Accountant General (Accounts and Entitlements)

Article 150 of the Constitution mandates the prescription of the form of accounts by the President on the advice of the Comptroller and Auditor General of India (CAG). Accordingly, the State Government has to take prior concurrence of the Accountant General, Accounts and Entitlements (AG (A&E)), Telangana before opening any new sub-head.

The Government, however, opened 18 new sub-heads in 2018-19 without prior concurrence of the AG (A&E). Total provision made under these sub-heads was ₹13,891 crore. Against this provision, an expenditure of ₹10,809 crore was incurred disregarding the statutory provision.

Such opening of new sub-heads without concurrence was persistent as ₹12,910 crore was provided under 223 new sub-heads in 2017-18, ₹24,165 crore was provided under 137 new sub-heads in 2016-17 and ₹6,121 crore was provided under 39 new sub-heads in 2015-16. This indicates that the trend of opening new sub-heads without concurrence of AG (A&E) had continued.

On this issue, the State Government assured (November 2014) that concurrence of AG (A&E) would be ensured for opening of new sub-heads. This, however, was not followed during the last five years.