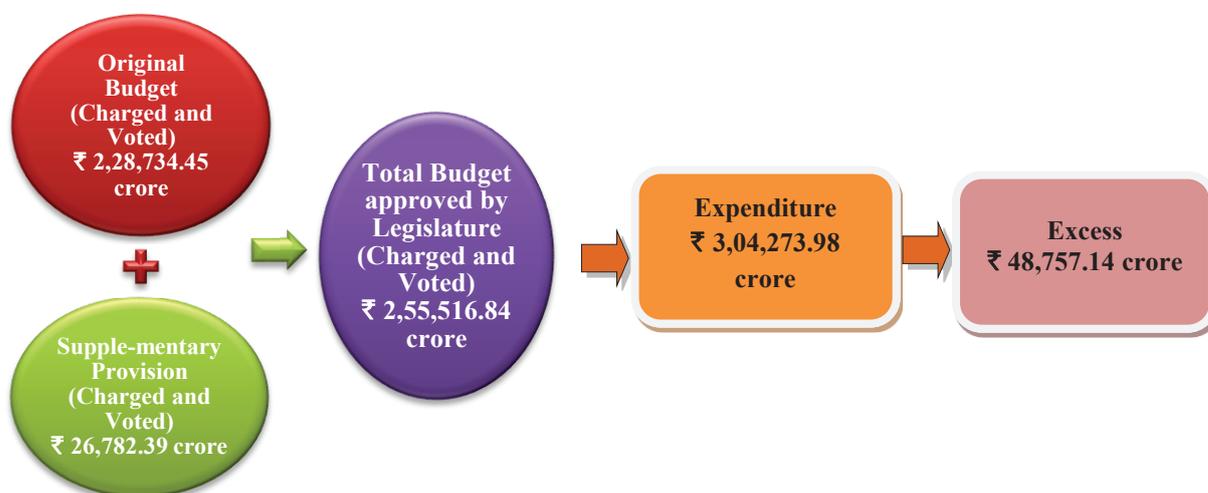


3.1 Introduction

Effective Budgeting ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

The total amount approved by the State Legislature including the original and supplementary budgets, expenditure and savings during the year 2020-21 is depicted below:

Chart 3.1: Summary of Budget and Expenditure of Andhra Pradesh for 2020-21



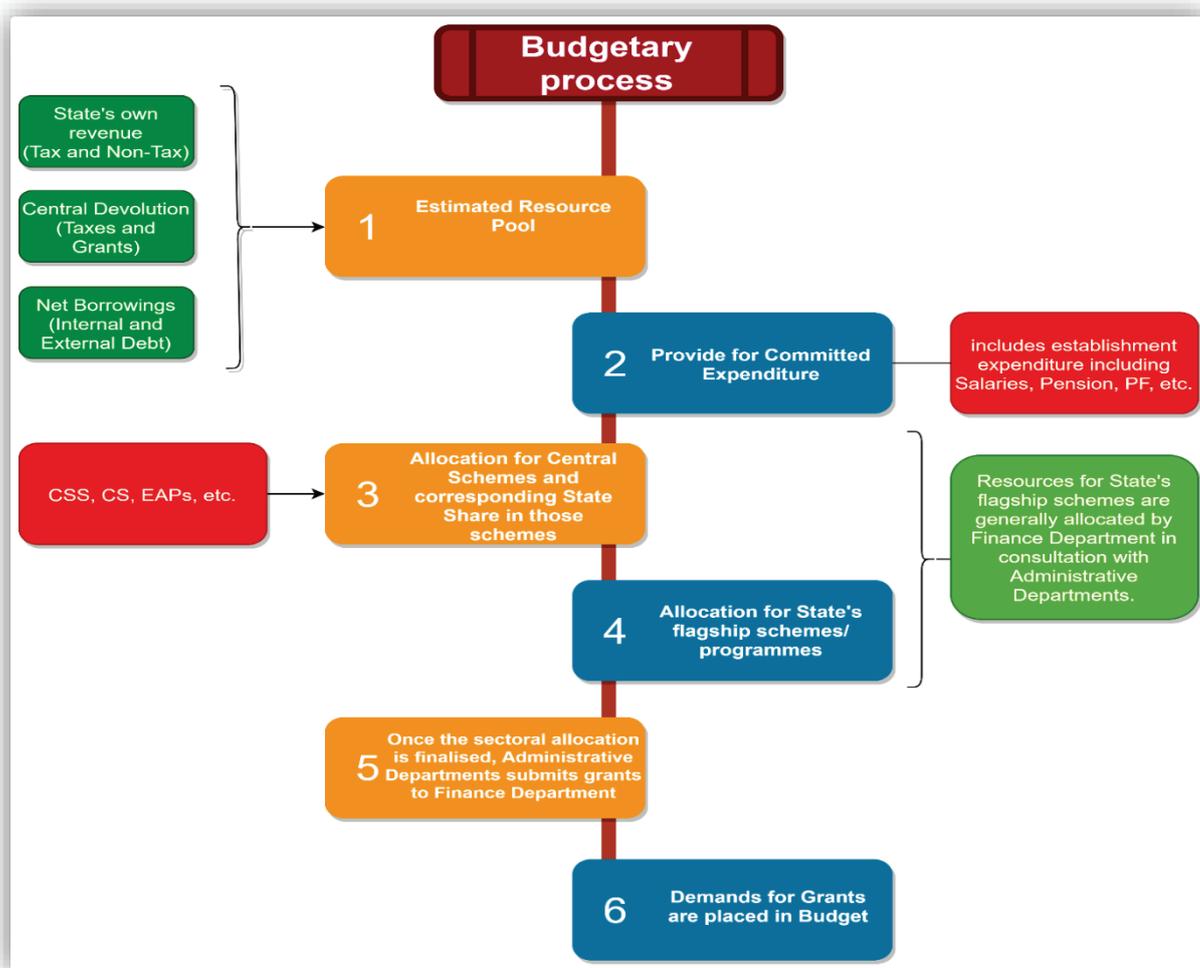
Approval by the Legislature

Implementation by the Government

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

3.2 Budget Preparation Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates for the next financial year. The budget preparation process in the State is given below:



The Andhra Pradesh Financial Code (APFC), Andhra Pradesh Budget Manual (APBM) and other instructions³⁰ lay down the procedure to be followed with regard to all matters concerning finance and budget.

The State Government secured legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and Demands for Grants/ Appropriations. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

The Government presents *Supplementary demands* (Para 15.24 of the APBM) before the Legislature, when the initial allocation is found to be inadequate or expenditure has to be incurred on a new item. Further, 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 Grant³¹ and under the same section³².

³⁰ GO Ms No.657 Finance (BG) Department dated 23 September 2004

³¹ Grant means the amount voted by the Legislative Assembly in respect of a demand for grant

³² Capital, Revenue or Loans

3.3 Financial Accountability and Budget Review

Article 205 of the Constitution of India states that the Governor of a State will cause to lay before the State Legislature supplementary budget estimates ‘if the amount authorised by any law made in accordance with the provisions of Article 204 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year’. Further, Article 204(3) states that ‘subject to the provisions of Articles 205 and 206, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article’.

3.3.1 Outcome/performance Budget

As per Budget Manual, Performance Budget is a comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities with their financial and physical aspects closely interwoven. Performance budget seeks to present the purpose and objectives for which funds are requested, the cost of various programmes and activities proposed for achieving these objectives and quantitative data measuring the work performed, services rendered or results accomplished under each programme and activity.

Since the introduction of the Outcome Budget 2005-06 by the Union Government, several State Governments have followed suit to link their outlays to outputs and outcomes. The Thirteenth Finance Commission has suggested preparing outcome budgets at the level of actual spending and its consideration at the relevant level of Government. It also suggested the State Government could prepare Outcome Budgets in respect of expenditures incurred directly by them.

Government of Andhra Pradesh prepares an Outcome Budget every year, indicating the outputs expected to be achieved with regard to the outlays. However, the extent of achievement of these outputs is not intimated to the Legislature while presenting the budget for the following year. Therefore, there is no real budgetary review and allocation to various activities/ socio-economic developmental schemes based on achievement of specified targets. Budget for the year 2020-21 was no exception in this regard and the Government has not stated the achievement of any of the performance parameters specified in the budget of the previous year; nor did it review the outcome indicators targeted for achievement in 2020-21 during its budget presentation during the subsequent year.

3.4 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of Grants voted and Appropriation Act passed under Articles 204 and 205 of the Constitution of India. These Accounts list the original budget provisions, supplementary grants, surrenders and re-appropriations distinctly. They also indicate actual Capital and Revenue Expenditure on various

specified services, *vis-à-vis* those authorized by the Appropriation Act in respect of both Charged and Voted items of budget. Thus, the Appropriation Accounts facilitate the understanding of utilization of funds, the management of finances and monitoring of budgetary provisions, and are, therefore, complementary to the Finance Accounts.

3.4.1 Audit of Appropriations

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 authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

3.4.2 Summary of total provisions and actual expenditure during 2020-21

The summarised position of actual expenditure during 2020-21 against 40 demands (95 grants/ appropriations) is given in **Table 3.1**.

Table 3.1: Position of actual expenditure *vis-à-vis* allocation for the year 2020-21

(₹ in crore)

Section	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Provision	Actual Expenditure	Savings (-) / Excess (+)	Surrender during March	
							Amount	Percent
	1	2	3	4=(2+3)	5	6=(5-4)		
Voted	Revenue	1,64,693.76	17,468.27	1,82,162.03	1,44,690.79	(-)37,471.24	24,430.51	99.71
	Capital	28,751.80	7,141.58	35,893.38	19,451.21	(-)16,442.17	16,433.81	99.93
	Loans and Advances	1,681.09	2,123.75	3,804.84	1,715.11	(-)2,089.73	786.19	100.00
Total Voted		1,95,126.65	26,733.60	2,21,860.25	1,65,857.11	(-)56,003.14	41,650.51	99.88
Charged	Revenue	19,644.09	25.59	19,669.68	20,127.75	458.08	497.56	100.00
	Capital	48.61	15.57	64.18	14.80	(-)49.38	42.49	100.00
	Public Debt Repayment	13,915.10	7.63	13,922.73	1,18,274.32*	1,04,351.58	187.67	100.00
Total Charged		33,607.80	48.79	33,656.59	1,38,416.87	1,04,760.28	727.72	100.00
Grand Total		2,28,734.45	26,782.39	2,55,516.84	3,04,273.98	48,757.14	42,378.23	99.94

*Source: Appropriation Accounts of 2020-21. * Including Ways and Means Advances (Budget Provision: NIL and repayments during the year: ₹ 1,04,539.24 crore)*

As per the details given in the table above, the total budget of 2020-21 was ₹ 2,55,516.84 crore and the actual gross expenditure during the year was ₹ 3,04,273.98 crore leaving an overall gross excess of ₹ 1,10,509.12 crore and gross savings of ₹ 61,751.97 crore across all grants, resulting in a net excess of ₹ 48,757.14 crore in 2020-21.

However, except for the Charged item of Public Debt repayment and Capital Charged, there were savings in almost every other Head of expenditure. The total saving in all the Heads other than Public Debt repayment amounted to ₹ 56,052.52 crore (₹ 56,003.14 crore under voted expenditure and ₹ 49.38 crore under capital charged) compared to the allocation of ₹ 2,41,594.11 crore (23.20 per cent) under those heads.

Public Debt repayment includes an amount of ₹ 1,04,539.24 crore towards repayment of Ways and Means Advances obtained during 2020-21. The State Government incurred an expenditure of ₹ 1,06,280.90 crore without any budget provision during 2020-21. Details in this regard are given in **Table 3.4** The net excess expenditure for the years 2017-18, 2019-20 and 2020-21 was also primarily due to repayment of Ways and Means Advances.

Efficient management of tax administration/other receipts and public expenditure holds the key for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds, which they could have utilised.

3.4.3 Summary of total provisions, actual disbursements and savings during the year

The summarised position of total budget provision, disbursement and savings/excess with its further bifurcation into voted/charged is given in **Table 3.2**.

Table 3.2: Budget provision, disbursement and savings/excess during the financial year

(₹ in crore)

Total Budget provision		Disbursements		Savings (-) /Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
2,21,860.25	33,656.59	1,65,857.11	1,38,416.87	(-)56,003.14	1,04,760.28

Source: Appropriation Accounts of 2020-21

3.4.4 Charged and voted disbursements

The summarised position of disbursements and savings/ excess with further bifurcation into voted/charged for the last five years is given in **Table 3.3**.

Table 3.3: Disbursement and savings/excess during the last five years

(₹ in crore)

Year	Disbursements		Savings (-) /Excess (+)	
	Voted	Charged	Voted	Charged
2016-17	1,26,798.59	46,552.81	(-)21,253.96	973.73
2017-18	1,34,239.65	69,008.25	(-)33,512.20	46,054.63
2018-19	1,42,964.84	88,697.50	(-)73,951.20	62,566.03
2019-20	1,51,423.04	97,213.02	(-)66,725.06	67,082.27
2020-21	1,65,857.11	1,38,416.87	(-)56,003.14	1,04,760.28

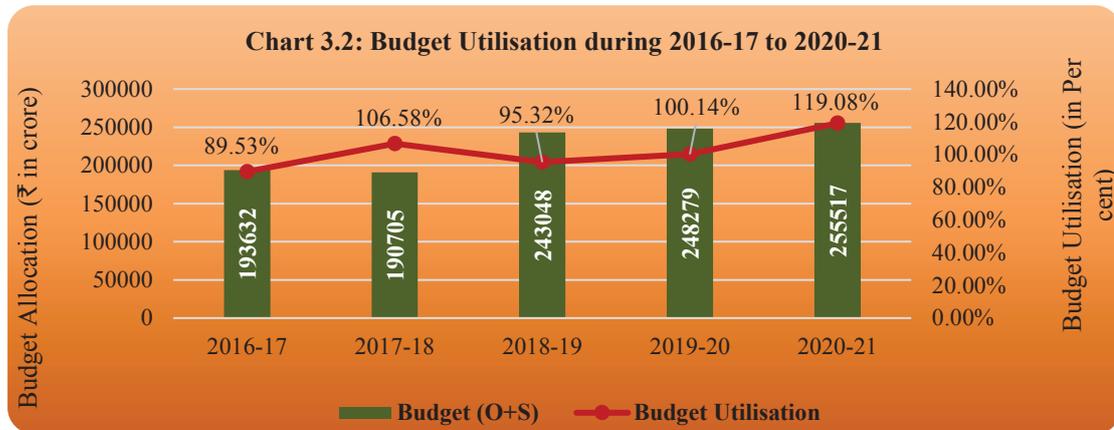
Source: Appropriation Accounts of respective years.

It is evident from the table that persistent savings occurred in voted section and persistent excess in charged section. Further, the persistent excess under charged section is mainly because of repayment of Ways and Means Advances to the Reserve Bank of India under loans section of Grant IX- Fiscal Administration, Planning, Surveys and Statistics.

Finance Department stated that, constant guidance was being given to all the secretariat departments to avoid excess expenditure under all grants and proposed to solve the discrepancies through the CFMS.

3.5 Utilisation of Budgeted Funds

Utilisation of budgeted funds by the State during the five-year period from 2016-17 to 2020-21 is given in **Chart 3.2**.



As can be seen from the chart above, utilisation of budget had exceeded the budget provision during three years i.e. 2017-18, 2019-20 and 2020-21 and has shown underutilisation during 2016-17 and 2018-19. However, the above figures have to be read in conjunction with the analysis given in paragraph 3.4.2.

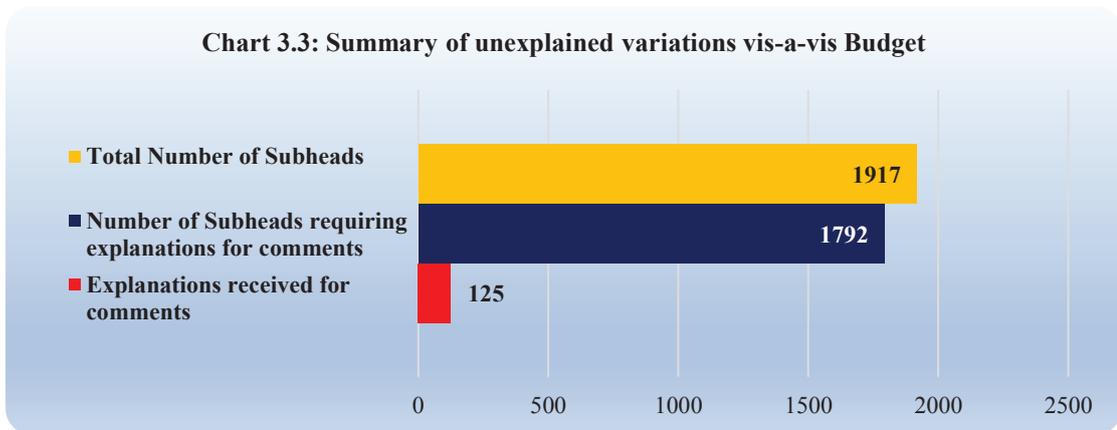
3.6 Missing/ Incomplete Explanation for variation from Budget

Appropriation Accounts provide comments on excess expenditure or savings where the excess or savings at Sub-Head level varies beyond the limits set by the Public Accounts Committee (PAC).

The following norms which have been approved by the PAC of Andhra Pradesh State Legislature in January 2013, have been adopted for comments on the Appropriation Accounts.

Savings	<p>(a) When the overall savings under a grant/charged appropriation is less than five <i>per cent</i> of total provision, no comment is necessary. However, if the total provision under a grant/appropriation is ₹ 500 crore and above, comments on savings/excess under individual subheads are included when the savings/excess under individual subheads exceeds 10 <i>per cent</i> of the provision or ₹ 100 lakh whichever is higher.</p> <p>(b) When the overall saving under a grant or charged appropriation is five <i>per cent</i> or above of the total provision, comments on savings/excess against individual subheads are included when the savings/excess under individual subheads exceeds 10 <i>per cent</i> of the provision or ₹ 50 lakh whichever is higher.</p>
Excess	<p>(a) When there is overall excess under a grant/appropriation even by a rupee, it requires regularisation by the Legislature.</p> <p>(b) Comments on excess under individual subheads are included only when the excess under individual sub-heads is ₹ 25 lakh and above.</p> <p>(c) Comments on savings (in excess grant) under individual sub-heads are included when the savings under individual sub-heads exceeds 10 <i>per cent</i> of the provision or ₹ 50 lakh whichever is higher.</p>

Principal Accountant General (A&E) provided the draft Appropriation Accounts to the Departments and sought the reasons/explanations for the excess/savings at Sub-head level. Audit of Appropriation Accounts of 2020-21 and an analysis of the underlying accounting data revealed that the Controlling Officers have not provided explanation for the variations in the expenditure *vis-à-vis* budgeted allocation in about 93.48 per cent of cases. Of the 95 Grants/ Appropriations reasons were not furnished by the Controlling Officers of Government Departments, in respect of 75 Grants/Appropriations. In terms of the Sub-Heads involved, the total number of Sub-Heads in the accounts, those requiring explanation for variation and the Sub-Heads where explanation were received for variations from allocations are given below in **Chart 3.3**.



Source: Appropriation Accounts

Absence of explanation for variation between the budgeted allocation and its utilisation limits legislative control over budget as a means of ensuring financial accountability of the Government.

The State Government assured that action will be taken to obtain the explanation for reappropriations in future.

3.7 Comments on integrity of budgetary and accounting process

3.7.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the article 204 of the constitution. As per paragraph 17.3.1 and 17.6.1(c) of APBM, expenditure should not ordinarily be incurred on a scheme/service without provision of funds. An expenditure of ₹ 1,06,280.90 crore was incurred in 14 cases (₹ one crore and above in each case) without budget provision. This undermined the sanctity of budgeting process and legislative control.

The grant-wise cases of one crore and above in which expenditure was incurred without budget provision (either original or supplementary) are detailed in **Table 3.4**.

Table 3.4: Cases where expenditure was incurred without budget provision (₹ one crore and above)

(₹ in crore)			
S. No.	Grant No. and Name	No. of cases	Expenditure
1	IV General Administration and Elections	3	184.38
2	IX-Fiscal Administration Planning Surveys and Statistics	2	1,05,539.24*
3	XVII-Municipal Administration and Urban Development	1	1.42
4	XXVII-Agriculture	1	2.06
5	XXXVI- Industries and Commerce	7	553.80
Total		14	1,06,280.90

*Source: Appropriation Accounts of 2020-21 and Grant Audit Register of 2020-21 compiled by O/o the PAG (A&E); * Expended towards repayment of Ways and Means Advances of the State.*

State Government in its reply stated that, the excess expenditure was mainly on account of repayment of Ways and Means Advances and also assured to take steps to include the expenditure incurred towards repayment of Ways and Means Advances in the estimates from the year 2021-22 onwards.

3.7.2 Misclassification of Revenue expenditure as Capital Expenditure

Misclassification of expenditure and receipts has an impact on the integrity of the financial statements. State financial rules categorise the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. However, there are instances involving a total amount of ₹ 147.98 crore where object heads of revenue nature were incorrectly operated with capital major heads.

The cases where revenue expenditure was misclassified as capital expenditure (₹ one crore and above in each case) are detailed grant-wise in **Table 3.5**.

Table 3.5: Grant-wise cases of misclassification of revenue expenditure as capital expenditure during 2020-21 (₹ one crore and above in each case)

Grant No. and Name		Expenditure
XXXIII Major and Medium Irrigation		
a.	4700-01-135-11-270 Minor works	10.11
b.	4700-01-137-11-270 Minor works	134.05
c.	4700-01-157-11-270 Minor works	3.82
Total		147.98

Source: Appropriation Accounts of 2020-21 and Grant Audit Register of 2020-21 compiled by O/o the PAG (A&E), AP.

As can be seen from the table above, misclassification of revenue expenditure as capital expenditure occurred in Grant XXXIII- Major and Medium Irrigation involving an amount of ₹ 147.98 crore. The misclassification of revenue expenditure as capital expenditure declined as compared to previous year (₹ 1,006 crore)

Classification of expenditure of revenue nature as capital expenditure results in understatement of revenue expenditure and revenue deficit.

The State Government assured that action will be taken in subsequent budget estimates.

3.8 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report large additional requirement for different purposes under various schemes/activities to legislature; but are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the unutilised funds cannot be utilised for other schemes, where there is a requirement. Some of the instances noticed in audit are shown in *Appendix 3.1*.

The details of grants in which the supplementary provision remained un-utilised are presented in **Table 3.6**.

Table 3.6: No. of grants/ appropriations in which supplementary provision (₹ one crore and above) remained un-utilised

(₹ in crore)							
S. No.	Nature of the grant	No. of cases	Original	Supplementary	Total Grant	Expenditure	Un-utilised supplementary grant
1	Revenue (Voted)	32	1,38,542.64	14,937.69	1,53,480.33	1,11,822.16	11,743.77
2	Capital (Voted)	21	27,971.42	7,141.58	35,113.00	18,615.32	3,764.98
3	Capital (Charged)	1	46.55	15.57	62.12	14.80	15.57
4	Loan (Voted)	4	1,459.79	1,972.45	3,432.24	518.30	1,952.45
Total		58	1,68,020.40	24,067.29	1,92,087.69	1,30,970.58	17,476.77

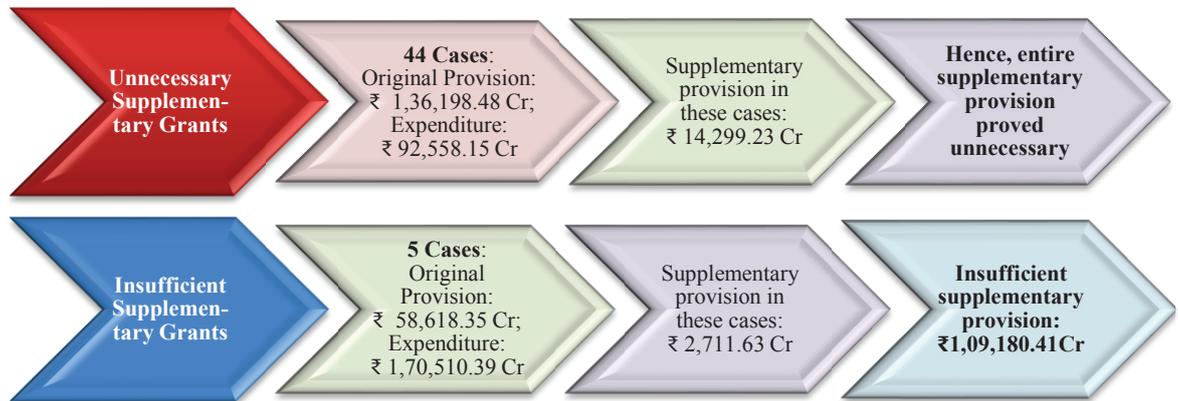
Source: Appropriation Accounts of 2020-21

It is evident that out of the total supplementary provision of ₹ 24,067.29 crore, ₹ 17,476.77 crore (72.62 per cent) remained unutilised. State Government needs to examine the reasons for poor utilisation of allocated funds and take appropriate corrective action.

3.8.1 Unnecessary/ Insufficient supplementary grants

The details of Unnecessary/ Insufficient Supplementary provisions, where Supplementary provision is more than or equal to ₹ one crore, are as detailed in *Chart 3.4*.

Chart 3.4: Unnecessary/ Insufficient Supplementary provision



Source: Appropriation Accounts of 2020-21

Details of unnecessary/insufficient Supplementary provision are shown in **Appendix 3.2** and **Appendix 3.3** respectively.

Further, in five cases, the supplementary grant of ₹ 2,711.63 crore was insufficient as the total provision (₹ 61,329.98 crore) was not adequate to meet the requirement (₹ 1,70,510.39 crore).

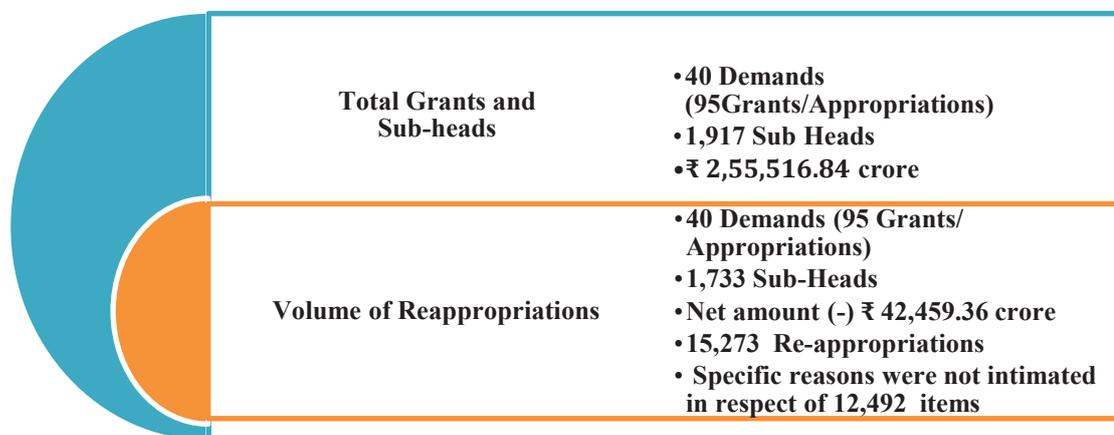
State Government while taking note of the observation assured that action will be taken to prevent the recurrence of such instances in future. State Government also stated that suitable instructions were issued to all sections to ensure that while submitting proposals for supplementary estimates, the additional amount sought for, should be required over and above the provision available with the Departments. It was also instructed to examine that the correct estimation is done to cover the actual expenditure.

3.9 Re-appropriations

Re-appropriations are meant for transfer of savings from one scheme / unit to another within the same grant and under same section (*i.e.*, Capital, Revenue or Loans).

The details of Re-appropriations for the year 2020-21 are depicted in **Chart 3.5**.

Chart 3.5: Re-appropriation in the overall budget



Source: Appropriation Accounts of 2020-21 and Grant Audit Register 2020-21 compiled by O/o the PAG (A&E), AP.

3.9.1 Unnecessary/ Excessive/ In-sufficient Re-appropriations

Details of unnecessary/excessive/insufficient re-appropriations are shown in *Appendix 3.4*, *Appendix 3.5* and *Appendix 3.6* respectively.

The cases in which the provision was excessive or unnecessary are presented in **Table 3.7**.

Table 3.7: Cases in which re-appropriation was excessive or unnecessary

(₹ in crore)							
Grant No. and Name	No. of cases	Original	Supplementary	Re-appropriation	Net Provision	Expenditure	Unnecessary/ Excessive Re-appropriation
IX-Fiscal Administration Planning Surveys and Statistics	3	1.24	0.00	198.53	199.77	51.43	148.34
XIII-Higher Education	2	1,131.95	0.00	99.75	1,231.70	729.37	301.03
XXVI-Administration of Religious Endowments	3	100.44	0.00	5.10	105.54	97.43	6.51
XXXII-Rural Development	2	300.00	0.00	40.14	340.14	0.00	190.14
XXXIII-Major and Medium Irrigation	3	32.21	0.00	6.28	38.49	33.89	4.50
TOTAL	13	1,565.84	0.00	349.80	1,915.64	912.12	650.52

Source: Appropriation Accounts of 2020-21 and Grants Audit Register of 2020-21 compiled by O/o PAG (A&E), AP.

From the above table, it is evident that re-appropriation of ₹ 650.52 crore was unnecessary/ excessive in 13 cases. Further, in six cases, the re-appropriation of ₹ 323.40 crore was insufficient as the net provision (₹ 1,435.44 crore) was not adequate to meet the requirement (₹ 5,724.07 crore) (*Appendix 3.6*).

State Government while taking note of the observation assured that action will be taken to prevent the recurrence of such instances in future. State Government also stated that suitable instructions were issued to all sections to ensure that while submitting proposals for supplementary estimates, the additional amount sought for, should be required over and above the provision available with the Departments. It was also instructed to examine that the correct estimation is done to cover the actual expenditure.

3.9.2 Surrender in excess of savings

In six grants, there were savings of ₹ 2,990.54 crore. The amount surrendered was ₹ 4,614.43 crore, resulting in excess surrender (₹ one crore or more in each case) of ₹ 1,623.88 crore as detailed in **Table 3.8**.

Table 3.8: Surrender in excess of savings during 2020-21

(₹ in crore)

Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Savings	Amount surrendered	Amount surrendered in excess
Revenue Voted					
1	I - State Legislature	100.35	2.21	3.37	1.16
2	IV - General Administration and Elections	677.97	54.28	234.30	180.02
3	V - Revenue Registration and Relief	6,376.88	0.00	539.23	539.23
4	XXVII – Agriculture	13,293.29	2,577.53	2,633.72	56.19
Capital voted					
5	XII - School Education	3,676.80	356.52	359.39	2.87
Loans Voted					
6	IX - Fiscal Administration Planning Surveys and Statistics	208.48	0.00	177.21	177.21
Revenue Charged					
7	IX - Fiscal Administration Planning Surveys and Statistics	19,562.98	0.00	479.53	479.53
Public Deposit Charged					
8	IX - Fiscal Administration Planning Surveys and Statistics	13,922.73	0.00	187.67	187.67
TOTAL		57,819.48	2,990.54	4,614.42	1,623.88

Source: Appropriation Accounts of 2020-21.

State Government assured to take proper care to ensure not to allow recurrence of such instances in future.

3.9.3 Anticipated savings not surrendered

As per paragraph 17.2.2 of Budget Manual, controlling officers are required to surrender to the Finance department all savings anticipated in the Budget under their control as soon as the certainty of non-requirement is known. A review of savings of grants and appropriations and surrender thereof showed that out of total savings of ₹ 39,960.97 crore in 23 cases, only ₹ 19,044.43 crore was surrendered, leaving a balance aggregating ₹ 20,916.52 crore (short surrender by ₹ one crore and above in each case as detailed in *Appendix 3.7*).

The details of the nature of grants in which anticipated savings were not surrendered are detailed in **Table 3.9**.

Table 3.9: No. of grants/ appropriations in which savings were not surrendered

(₹ in crore)

Sl. No.	Nature of the grant	No. of cases	Total grant/ appropriation	Savings	Amount surrendered	Savings which remained to be surrendered
1	Revenue (Voted)	14	96,571.14	27,781.14	9,662.37	18,118.77
2	Capital (Voted)	5	14,143.06	9,230.84	8,744.92	485.92
3	Capital (Charged)	1	62.12	47.32	40.43	6.89
4	Loan (Voted)	3	3,399.97	2,901.67	596.71	2,304.96
Total		23	1,14,176.29	39,960.97	19,044.43	20,916.54

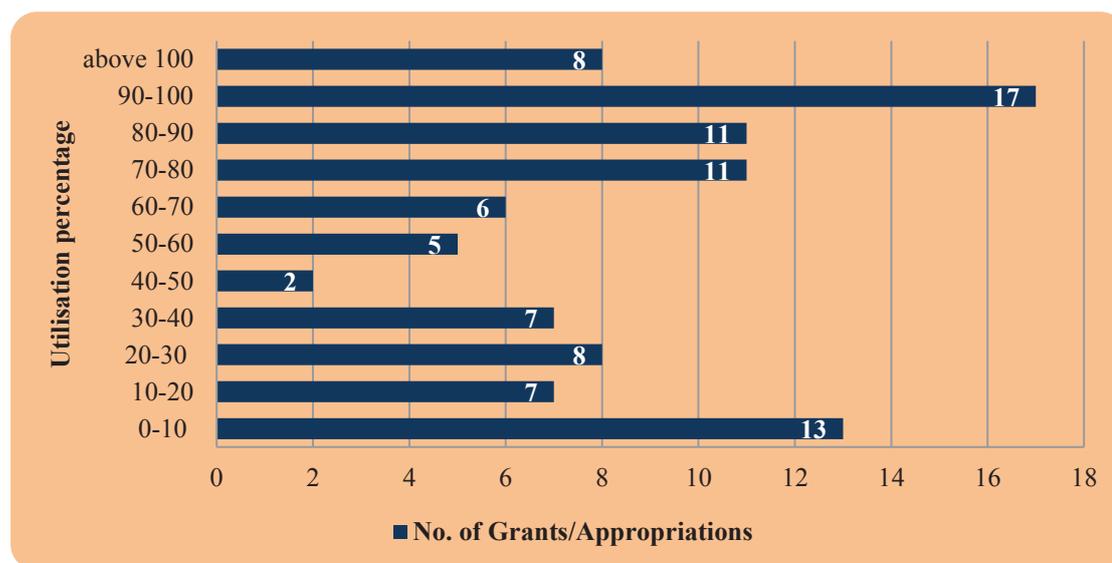
Source: Appropriation Accounts of 2020-21

State Government stated that necessary instructions were issued to all departments to report the savings as soon as they occur, without waiting till the end of financial year.

3.10 Large and Persistent savings in Grants/ Appropriations

There were huge savings during 2020-21, with 37 out of 95 Grants/ Appropriations showing utilisation of less than or equal to 50 per cent of the budget allocation. The distribution of the number of Grants/Appropriations grouped by the extent of savings is as follows.

Chart 3.6: Utilisation of budget allocation



Source: Appropriation Accounts of 2020-21

As it is evident from the above chart, out of 95 Grants/ Appropriations, 70 Grants/ Appropriations showed savings of more than 10 per cent of the budget allocation.

Of the 37 Grants/ Appropriations with budget utilisation of less than or equal to 50 per cent, 20 had shown similar low utilisation in at least four out of the last five years (2016-17 to 2020-21), which is indicative of systemic lacunae that warrants a close review by the Government to enable initiation of expeditious corrective measures. Utilisation of budgetary allocation in these 37 Grants/ Appropriations for the five-year period from 2016-17 to 2020-21 is shown in Table 3.10.

Table 3.10: Grants/ Appropriations where utilisation of budget was less than or equal to 50 per cent

Grant Details	Utilisation of budget provision (in per cent)					₹ in crore)		
	2016-17	2017-18	2018-19	2019-20	2020-21	No of yr	Budget 2020-21	Expenditure during 2020-21
III - Administration of Justice (CV)	47.59	38.89	28.81	37.66	15.26	5	127.13	19.40
V - Revenue Registration and Relief (LV)	0.00	0.00	0.00	0.00	0.00	5	1,000.00	0.00
VIII - Transport Administration (CV)	28.50	36.93	2.60	13.50	31.93	5	1.50	0.48
XI - Roads Buildings and Ports (RC)	0.00	16.20	0.00	17.31	11.09	5	3.01	0.33
XIII - Higher Education (CV)	7.15	65.19	27.01	60.27	16.40	5	560.51	91.92
XIV - Technical Education (RC)	0.00	0.00	0.00	0.00	0.00	5	0.00(₹10,000)	0.00
XXIV - Minority Welfare (CV)	0.00	0.00	1.76	6.95	0.00	5	0.50	0.00
XXV - Women Child and Disable Welfare (CV)	39.34	41.84	22.52	10.76	7.12	5	292.95	20.85
XXX - Cooperation (CV)	0.00	0.00	2.85	0.00	14.58	5	174.75	25.49

XXXVIII - Civil Supplies Administration (CV)	0.00	0.00	0.00	39.50	0.00	5	4.31	0.00
VII - Commercial Taxes Administration (CV)	88.38	2.07	5.17	1.07	7.71	4	5.00	0.39
IX - Fiscal Administration Planning Surveys and Statistics (CV)	25.38	42.91	56.40	4.65	9.65	4	1,102.05	106.39
XI - Roads Buildings and Ports (CV)	89.76	25.05	24.89	33.78	37.86	4	2,481.67	939.66
XVI - Medical and Health (CV)	77.88	36.21	30.10	7.65	21.17	4	2,536.94	537.05
XVII - Municipal Administration and Urban Development(CV)	23.04	25.25	62.36	31.93	21.88	4	1,359.03	297.32
XIX - Information and Public Relations (CV)	0.00	99.61	0.00	0.00	32.46	4	1.00	0.32
XXXIII - Major and Medium Irrigation (RC)	0.00	99.93	37.37	0.00	0.00	4	7.98	0.00
XXXIV - Minor Irrigation (CC)	22.95	76.03	0.00	21.98	0.00	4	0.96	0.00
XXXVI - Industries and Commerce (LV)	0.00	30.26	0.00	72.12	27.02	4	1,488.98	402.38
XXXVII - Tourism Art and Culture (CV)	47.47	98.88	23.52	41.91	16.64	4	64.21	10.68
XI - Roads Buildings and Ports (CC)	99.95	3.40	50.69	44.05	0.00	3	1.10	0.00
XIV - Technical Education (CV)	124.33	88.41	13.54	28.17	22.44	3	166.01	37.25
XVIII - Housing (RV)	38.51	68.66	52.87	26.45	30.43	3	3,752.87	1,141.92
XXVII - Agriculture (CV)	91.45	70.35	46.87	22.02	11.59	3	424.99	49.27
XXVIII - Animal Husbandry and Fisheries (CV)	54.60	59.74	43.45	14.94	21.44	3	277.66	59.52
XXXII - Rural Development (CV)	100.00	99.22	25.00	0.00	0.00	3	0.01	0.00
XXXIII - Major and Medium Irrigation (CV)	80.54	42.83	51.73	32.69	35.61	3	10,443.07	3,719.16
XXXIII - Major and Medium Irrigation (CC)	67.85	10.25	25.93	67.13	23.83	3	62.12	14.80
XXXV - Energy (CV)	45.81	78.23	63.66	0.00	0.00	3	66.00	0.00
XXXVIII - Civil Supplies Administration (RV)	92.75	93.68	19.00	11.24	2.26	3	4,621.91	104.26
X - Home Administration (CV)	60.17	59.03	21.61	59.62	27.29	2	591.81	161.49
XX - Labour and Employment (RV)	83.78	89.54	81.69	45.61	37.12	2	603.35	223.98
XXIX - Forest Science Technology and Environment (CV)	215.42	92.56	42.85	70.54	25.95	2	58.88	15.28
XXXIV - Minor Irrigation (CV)	90.46	48.18	80.98	83.25	47.45	2	655.34	310.98
XXXV - Energy (LV)	96.77	84.60	31.64	98.45	10.53	2	911.00	95.92
XXI - Social Welfare (RV)	82.70	88.13	50.24	104.14	45.09	1	9,289.13	4,188.79
XXIV - Minority Welfare (RV)	89.54	87.02	58.24	108.95	34.25	1	2,810.59	962.68

Source: Appropriation Accounts of respective years.

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

Low utilisation of budget under the capital grants relating to Major and Medium Irrigation (XXXIII), Agriculture (XXVII), Rural Development (XXXII), Roads and Buildings (XI) which pertain mainly to capital expenditure affects infrastructure creation in the State. Similarly, underutilisation in the revenue grants relating to Education (XII), Housing (XVIII), Social Welfare (XXI), Medical & Health (XVI) and non-utilisation of entire provision under Rural Development (XXXII) affects human development, uplift of the rural public and quality of life in the State.

Underutilisation in grants pertaining to essential and infrastructure creation needs an in-depth analysis by the State Government and initiation of prompt remedial action.

3.11 Excess expenditure and its regularisation

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. 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.

3.11.1 Excess expenditure in current year

Excess expenditure, over budget provision of ₹ 1,10,509.12 crore, occurred in five grants and three appropriations during the year, as shown in **Appendix 3.8**.

The excess expenditure under Grant IX – Fiscal Administration, Planning, Surveys and Statistics was mainly on account of repayment of Ways and Means Advances³³ (₹ 1,04,539.24 crore) to the Reserve Bank of India and under Loans section.

3.11.2 Persistent excess expenditure in certain grants

Cases of excess expenditure are reported every year through Audit Reports on State Finances. There was, however, a grant in which excess expenditure has occurred persistently during the last five years as shown in **Table 3.11**.

Table 3.11: Grant/Appropriation with persistent excess during the period 2016-21
(₹in crore)

No. and Name of the Grant/Appropriation	Amount of Excess				
	2016-17	2017-18	2018-19	2019-20	2020-21
IX-Fiscal Administration, Planning, Surveys and Statistics (PDC)	1,568.14	47,071.84 [#]	62,397.00 [#]	65,947.90 [#]	1,04,351.58 [#]

Source: Appropriation Accounts of respective years; PDC-Public Debt Charged [#]Including excess on account of Ways and Means Advance of ₹ ₹ 44,130.29 crore in 2017-18, ₹ 58,229.01 in 2018-19 and ₹ 60,740.83 crore in 2019-20, ₹ 1,04,539.24 crore in 2020-21 respectively.

It is pertinent to note that the persistent excess has mainly occurred in Finance Department, primarily on account of seeking Ways and Means Advances. Government needs to estimate its resources more realistically and manage its expenditure judiciously and ensure that prior Legislative sanction is obtained for anticipated requirement of additional funds.

3.11.3 Regularisation of excess expenditure of previous financial years

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. The excess expenditure is 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 for excess expenditure to the PAC through Finance Department.

The excess expenditure over the allocation amounting to ₹ 2,40,493.49 crore pertaining to the years from 2004-05 to 2019-20 was yet to be regularised as detailed in **Table 3.12**. Grant wise details are given in **Appendix 3.9**.

³³Total Budget Provision: NIL and Expenditure during the year: ₹1,04,539.24 crore

Table 3.12: Excess expenditure relating to previous years requiring regularisation

Year	Number of		Amount of Excess over Provision (₹ in crore)
	Grants	Appropriation	
2004-05	5	1	14.83
2005-06	10	3	585.82
2006-07	7	1	198.72
2007-08	7	3	201.30
2008-09	11	3	709.24
2009-10	10	2	109.74
2010-11	11	5	867.54
2011-12	5	2	188.59
2012-13	5	1	275.63
2013-14	4	1	530.12
2014-15	26	2	13,134.68
2015-16	15	2	36,856.98
2016-17	4	1	1,686.83
2017-18	3	2	47,144.53
2018-19	2	2	64,005.68
2019-20	5	4	73,983.26
Total	130	35	2,40,493.49

Source: Appropriation Accounts of respective years

After bifurcation of the State, an excess expenditure of ₹ 2,36,811.96 crore pertaining to the years 2014-15 to 2019-20 occurred which was yet to be regularised. Explanatory Notes (ENs) were furnished for only an amount of ₹ 51,678.49 crore against ₹ 2,36,811.96 crore by the concerned Administrative Departments/ Finance Department to Audit for excess expenditure requiring regularisation relating to the years 2014-15 to 2019-20 as detailed in *Appendix 3.10*.

The PAC had discussed and recommended (February 2019) regularisation of the excess expenditure partially for the years 2014-15 and 2015-16 for an amount ₹ 272.91 crore and ₹ 55.98 crore respectively under Article 205 of the Constitution.

State Government assured to take necessary action to regularise the excess expenditure.

3.12 Conclusion

Sound budgetary management requires advance planning and accurate estimation of revenues and expenditure. There were instances of incurring excess expenditure or large savings with reference to provisions made during the year, which point to flaws in expenditure monitoring and control. A majority of Controlling Officers did not explain the reasons for variations in expenditure vis-à-vis allocations, to the Principal Accountant General (A&E), which affected the accountability mechanism of Government and weakens legislative control over expending public finances.

There has been a persistent excess over authorisation during the last five years on account of seeking Ways and Means Advances beyond anticipated levels. Government needs to estimate its resources more realistically and manage its expenditure judiciously and ensure that prior Legislative sanction is obtained for anticipated requirement of additional funds. Despite flagging this issue every year over the last five years, the State Government had failed to take corrective measures in this regard.

3.13 Recommendations

1. *State Government should ensure scrupulous compliance with constitutional provisions relating to Legislative authorisation of expenditure.*
2. *State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources. Departments need to be cautioned against persistent savings; and their budgets should be reviewed and varied in accordance with their ability to absorb the allocations.*
3. *An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified time frame.*
4. *Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation, to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.*