

Chapter 3
Budgetary Management

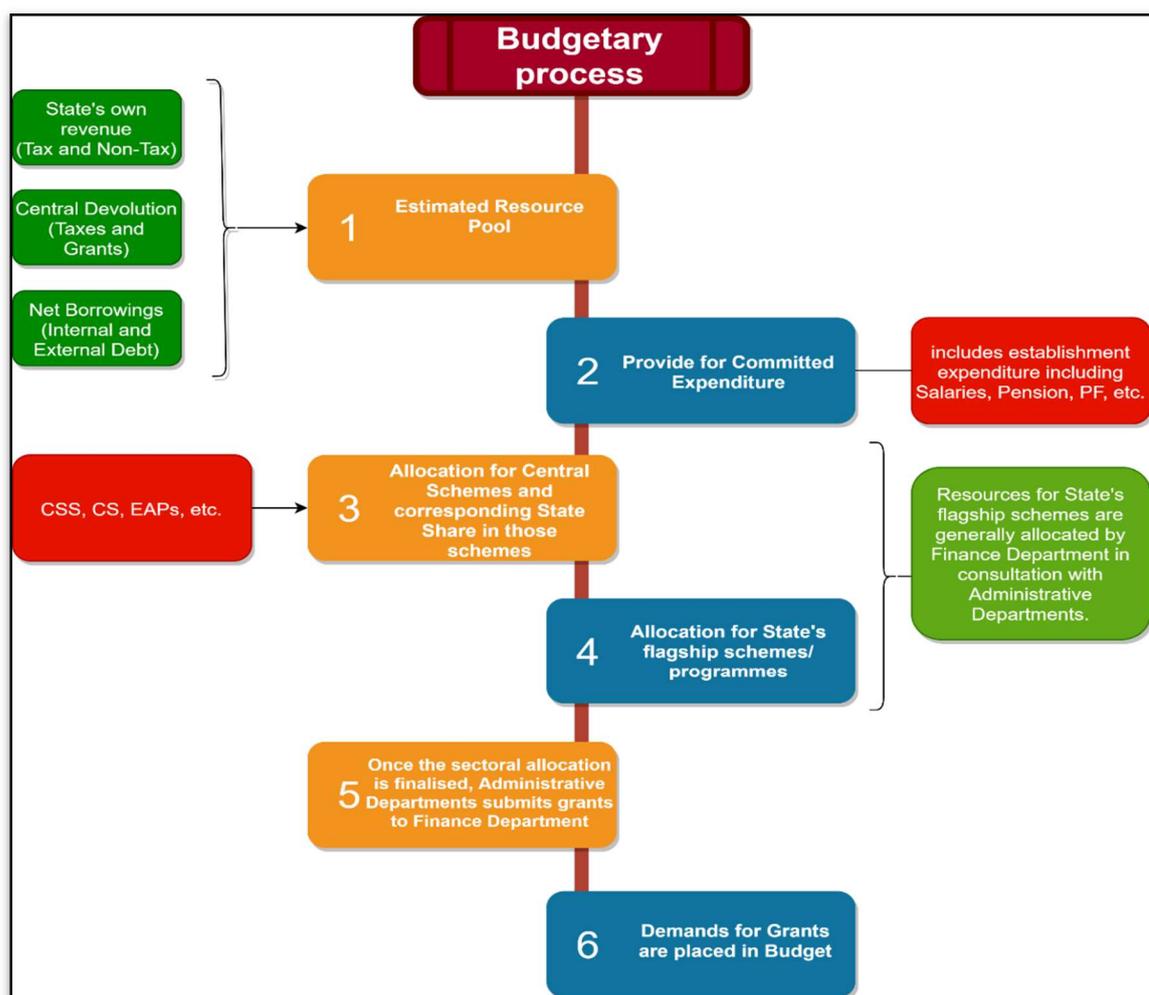
3.1 Introduction

Effective financial management 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 in its implementation.

3.2 Budget preparation process

The annual budgeting exercise is a means of providing a roadmap for efficient use of public resources. The Budget preparation process commences with the issue of a circular by Finance Department providing guidance to Departments in framing their estimates, for the ensuing financial year. Budget preparation process of the State Government is given in *Chart 3.1*.

Chart 3.1: Budget preparation process



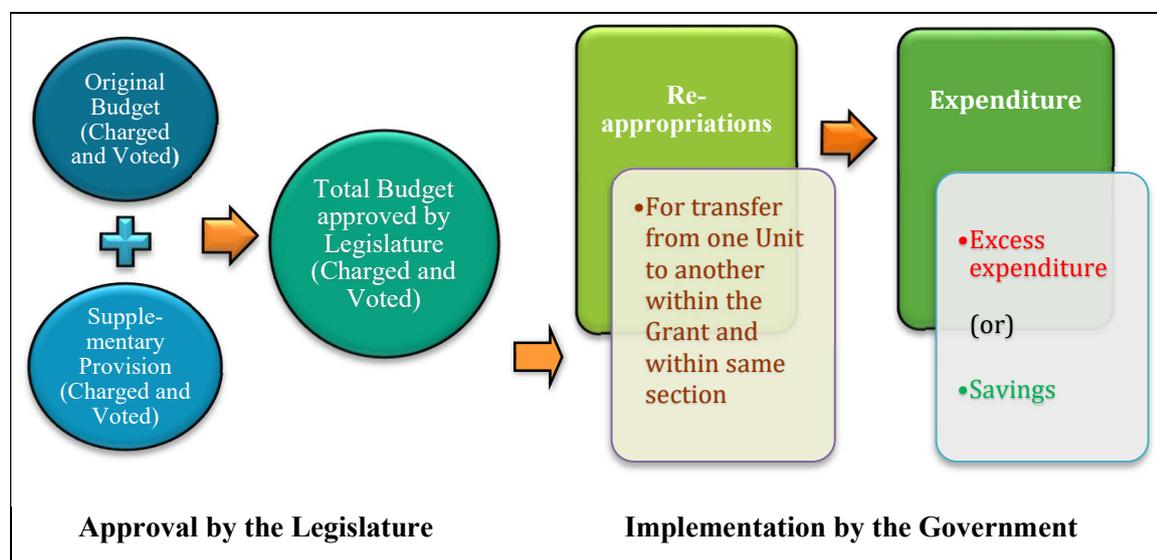
Source: Based on procedures prescribed in Budget Manual and instructions of the State Government

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and Demands for Grants/ Appropriations.

Supplementary or additional Grants/Appropriations are provided during the course of the financial year for meeting expenditure in excess of originally budgeted amount. Further, the State Government also re-appropriates/re-allocates funds from various Units of Appropriation where savings are anticipated to Units where additional expenditure is envisaged within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged etc.,) and within the Grant/Appropriation, during the year, through the competent authority.

Appropriation Accounts capture implementation of Budget proposals approved by the State Legislature. The process of implementation of Appropriation Act is depicted in **Chart 3.2**.

Chart 3.2: Implementation of Appropriation Act as captured in Appropriation Accounts



Source: Based on procedures prescribed in Budget Manual

3.2.1 Sub-Budgets

3.2.1.1 Pragathi Paddu (Scheme Expenditure) and Nirvahana Paddu (Expenditure for Establishment / Maintenance)

As mentioned in *paragraph 1.5* with effect from the year 2017-18, Government of Telangana dispensed with Plan and Non-Plan budgets and introduced “Pragathi Paddu (Scheme Expenditure)” and “Nirvahana Paddu (Expenditure for Establishment / Maintenance)”.

3.2.1.2 Special Development Fund

State Government enacted (March 2017) Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilization of Financial Resources) Act, 2017. The State Government is preparing sub-budgets Scheduled Castes Special Development Fund and Scheduled Tribes Special Development Fund, which apportion the total outlays of Pragathi Paddu in a Financial year, based on proportion of

population (Census 2011) of Schedules Castes (15.45 *per cent*) / Schedules Tribes (9.08 *per cent*) in the State. Special Development Funds of the Departments shall include the schemes that secure direct and quantifiable benefits to the Scheduled Castes/Scheduled Tribe individuals/households/habitations or areas.

Details of our analysis of utilisation of funds provided under Special Development Fund are in *paragraph 3.4.7*.

3.2.2 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 purposes 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 from 2005-06 by the Union Government, Ministries and Departments are required 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.

The State Government places demands for 40 Grants before the Legislature every year. Out of the 40 Grants, Outcome Budgets are prepared in respect of 37 Grants¹. On review of Outcome Budgets, we noticed that no mention of projected outcomes or their achievements was made in respect of five Grants². In respect of 32 Grants, though physical targets and their achievements were mentioned, the achievement against the projected outcomes was not mentioned.

3.3 Appropriation Accounts

Appropriation Accounts provide the details of Government expenditure for each financial year, compared with the amounts of Grants voted and Appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Articles 204 and 205 of the Constitution of India. These Accounts depict the Original Budget Provision, Supplementary Grants, surrenders and re-appropriations distinctly. They also indicate actual Revenue and Capital Expenditure on various specified services vis-à-vis those authorised by the Appropriation Act (in respect of both Charged and Voted items). Appropriation Accounts represent utilisation of funds, management of finances and

¹ except (i) State Legislature, (ii) Governor and Council of Ministers and (iii) General Administration and Election

² (i) Administration of Justice, (ii) Excise Administration, (iii) Transport Administration, (iv) Administration of Religious Endowments and (v) Public enterprises Department

monitoring of budgetary provision and are, therefore, complementary to the Finance Accounts.

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

3.3.2 Summary of total provision and actual expenditure during 2020-21

A summarised position of total budget provision, disbursement and saving/excess during the year 2020-21 is given in *Table 3.1*.

Table 3.1: Budget Provision, disbursement and savings/excess during the financial year 2020-21

(₹ in crore)

Voted / Charged	Nature of Expenditure	Original Grant / Appropriation	Supplementary Grant / Appropriation	Total	Actual Expenditure	Savings (-) / Excess (+) with reference to Total Budget	Savings (-) / Excess (+) in percentage	Surrender during the year	
								Amount	per cent
Voted	Revenue	1,23,784.80	14,371.09	1,38,155.89	1,13,037.92	(-)25,117.97	(-)18	(-)33,263.63	02
	Capital	21,901.02	9,775.07	31,676.09	16,154.82	(-)15,521.27	(-)49	(-)12,147.01	38
	Loans and Advances	15,662.20	599.34	16,261.54	10,876.06	(-)5,385.48	(-)33	(-)5,034.03	31
	Total Voted	1,61,348.02	24,745.50	1,86,093.52	1,40,068.80	(-)46,024.72	(-)25	(-)50,444.67	27
Charged	Revenue	14,929.15	24.51	14,953.66	16,995.87	2,042.21	14	(-)517.42	03
	Capital	160.16	15.65	175.81	32.41	(-)143.40	(-)82	(-)140.03	80
	Public Debt Repayment	6,521.22	1,345.69	7,866.91	76,990.58	69,123.67	879	-	-
	Total Charged	21,610.53	1,385.85	22,996.38	94,018.86	71,022.48	309	(-)657.46	03
Appropriation to Contingency Fund		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		1,82,958.55	26,131.35	2,09,089.90	2,34,087.66	24,997.76	12	(-)51,102.13	24

Source: Appropriation Accounts

Note: Out of the expenditure of ₹2,34,087.66 crore, an amount of ₹770.02 crore was transferred to PD Accounts (Head of Account: 8443-106)

While the total provision in 2020-21 was ₹2,09,089.90 crore, the actual gross expenditure during the year was ₹2,34,087.66 crore (112 per cent of the provision). There was an excess expenditure of ₹81,514.54 crore in 18 Grants and 01 Appropriations and savings of ₹56,516.78 crore in 38 Grants and 11 Appropriations, resulting in a net excess of ₹24,997.76 crore.

- There were savings in all parts of the Voted section, whereas excess expenditure occurred under Charged sections of Revenue and Public Debt Repayment.
- The total saving in items other than Public Debt repayment and Revenue charged amounted to ₹46,168.12 crore (25 per cent) compared to the allocation of

₹1,86,269.33 crore. Public Debt repayment (₹76,990.58 crore) includes an amount of ₹69,453.90 crore towards repayment of Ways and Means Advances (WMA) obtained during 2020-21.

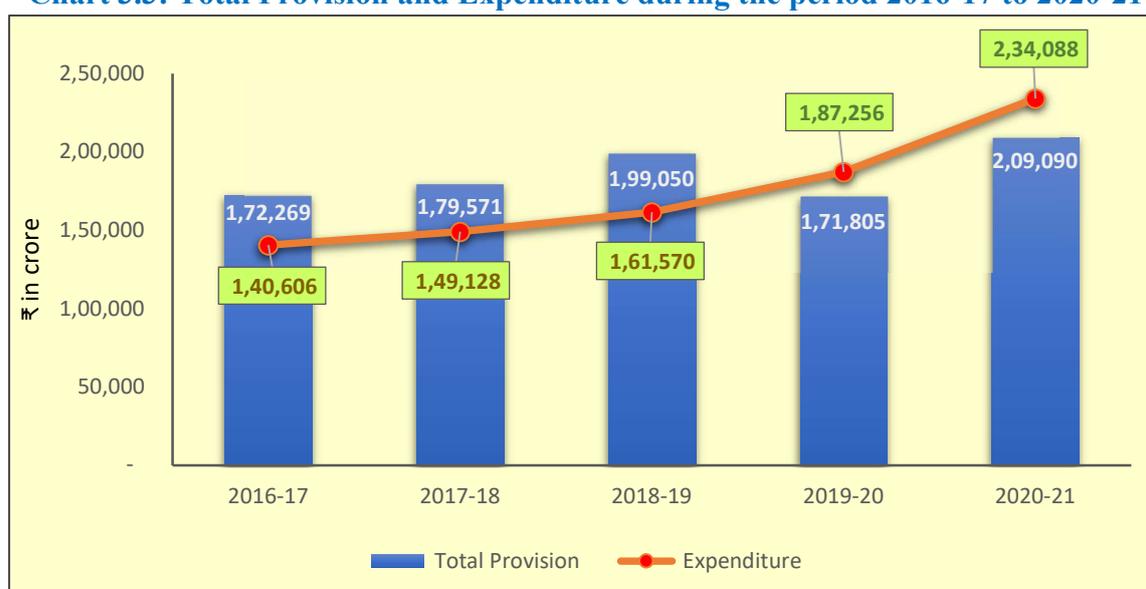
- The State Government also incurred an unauthorised expenditure of ₹1,247.27 crore without any provision in the Budget during 2020-21 at sub-head level (*refer paragraph 3.4.1*).

Efficient management of receipts and public expenditure holds the key for achievement of various targeted fiscal indicators. Budgetary allocations based on unrealistic proposals and inadequate monitoring leads to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds, resulting in unequal resource distribution and utilisation.

3.3.3 Utilisation of total budgeted provisions

The extent of utilisation of budgeted provisions by the State during the past five years is given in *Chart 3.3*.

Chart 3.3: Total Provision and Expenditure during the period 2016-17 to 2020-21



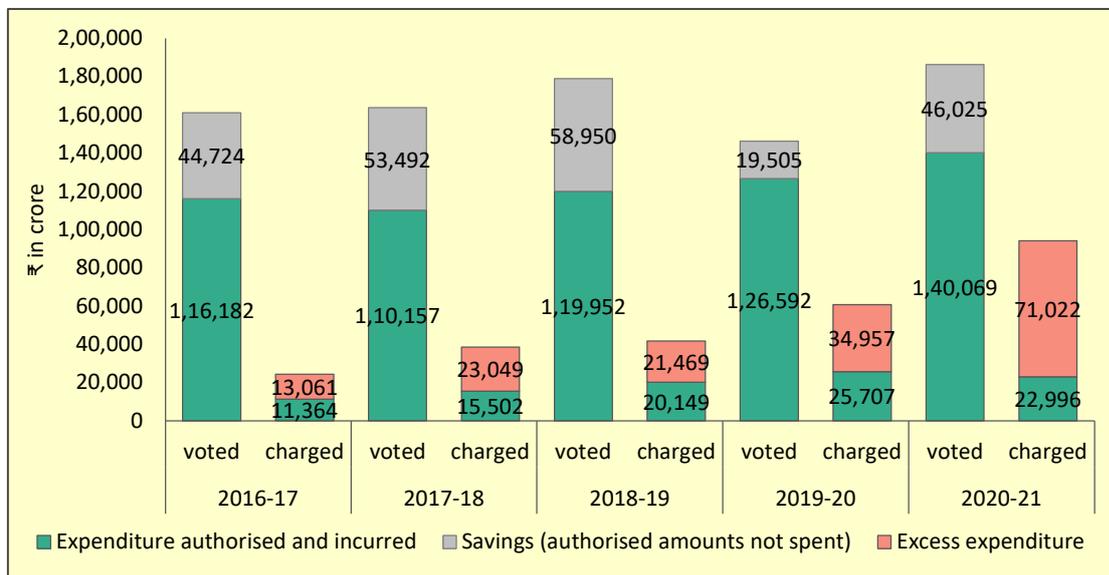
Source: Appropriation Accounts of the years concerned

While the expenditure during the period 2016-17 to 2018-19 was lesser than the total provision, it exceeded the provision consecutively in 2019-20 and 2020-21. The net excess expenditure of ₹24,997.76 crore in 2020-21 was in spite of increase in the total provision by ₹37,285.28 crore in comparison to 2019-20. The net excesses of ₹15,451.49 crore in 2019-20 and ₹24,997.76 crore in 2020-21 were mainly on account of repayment of Ways and Means Advances of ₹37,247.59 crore and ₹69,453.90 crore in 2019-20 and 2020-21 respectively.

3.3.4 Trend of Charged and Voted expenditure

The trend of Charged and Voted expenditure during the past five years is shown below:

Chart 3.4: Charged and voted expenditure during the five-year period 2016-17 to 2020-21



Source: Appropriation Accounts

There has been excess expenditure under charged section consistently, across the years since 2016-17. This was mainly on account of Repayment of Ways and Means Advances (Ways and means advances is a mechanism used by Reserve Bank of India (RBI) under its credit policy to provide to States, banking with it, to help them tide over temporary mismatches in the cash flow of their receipts and payments). Further, the dependency of Ways and Means Advances is also increasing continuously for the past three years.

On the other hand, there were savings under voted section every year, during the past five years. This indicates that provisions under voted Section are being overestimated and the expenditure is less than what is provisioned, resulting in savings.

We also observed that, except in respect of 2019-20, there was an excess expenditure under Revenue charged section during the past five years. The excess under Revenue charged during the year 2020-21 was considerably higher at ₹2,042.21 crore mainly on account of excess on 'Interest on State Development Loans' (₹1,832.56 crore) apart from excess under 'Interest on General Provident Fund' (₹46.23 crore) and 'Telangana State Life Insurance Fund' (₹214.80 crore), which can be estimated with reasonable accuracy and are directly charged on the Consolidated Fund. There were persistent excesses in these heads under Revenue charged section as detailed below:

Table 3.2: Items in which persistent excess expenditure occurred under Revenue charged section during last five years

(₹ in crore)

Year	Budget Provision	Expenditure	Excess (+) / Savings (-)
Interest on State Development Loans			
2016-17	5,800.44	6,319.02	518.58
2017-18	7,936.24	7,916.09	(-)20.14
2018-19	8,315.55	9,609.83	1,294.28
2019-20	11,007.33	11,454.66	447.32
2020-21	12,074.86	13,907.42	1,832.56
Interest on General Provident Fund			
2016-17	330.00	394.13	64.13
2017-18	330.00	417.13	87.13
2018-19	410.00	420.27	10.27
2019-20	404.72	454.10	49.37
2020-21	404.72	450.96	46.23
Telangana State Life Insurance Fund			
2016-17	110.00	164.42	54.42
2017-18	110.00	188.29	78.29
2018-19	180.00	222.81	42.81
2019-20	225.95	264.15	38.20
2020-21	100.00	314.80	214.80

Source: Appropriation Accounts

3.3.5 Lack of explanation for variation from Budget

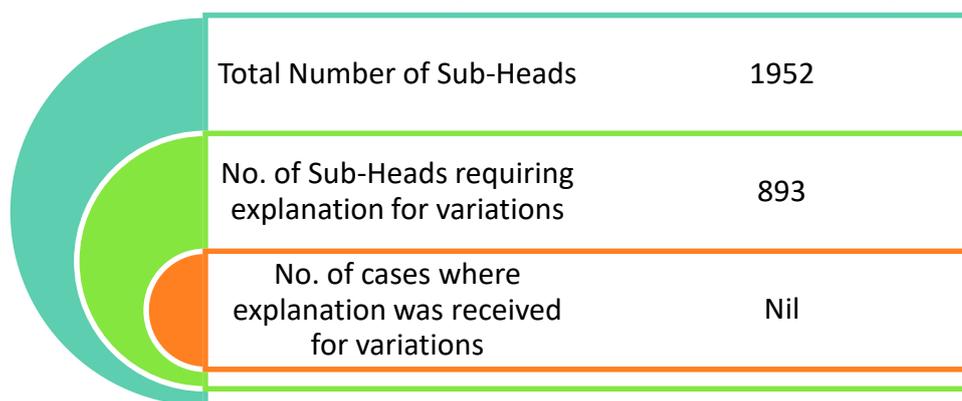
Appropriation Accounts provide explanations for comments on excess expenditure or savings where the excess or savings at Sub-Head level varies beyond the limits set by the Public Accounts Committee.

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

Savings	<p>(a) When the overall saving under a Grant/charged Appropriation is less than 5 per cent 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 saving/excess under individual subheads exceeds 10 per cent of the provision or ₹100 lakh, whichever is higher.</p> <p>(b) When the overall saving under a Grant or charged Appropriation is 5 per cent or above of the total provision, comments on saving/excess against individual subheads are included when the saving/excess under individual subheads exceeds 10 per cent 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 sub-heads 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 saving under individual sub-heads exceeds 10 per cent of the provision or ₹50 lakh, whichever is higher.</p>

Accountant General (Accounts and Entitlements) provided the draft Appropriation Accounts to the Departments and sought the reasons/explanations for the excess/savings at sub-head level. However, the Controlling Officers have not provided explanation for the variations in the expenditure *vis-à-vis* budgeted allocation. The total number of sub-heads in the accounts, those requiring explanation for variation and the sub-heads where explanation was received for variations from allocations, are given in **Chart 3.5**:

Chart 3.5: Summary of unexplained variations vis-à-vis budget



Source: Appropriation Accounts

We observed that explanation for variations was not received for any of the sub-heads requiring explanation, despite the same observation of nil explanation in respect of 862 sub-heads in 2019-20 also. The same was highlighted in the State Finances Audit Report for the year ended March 2020. Para 3.4.1 *ibid* elaborates on “Excess expenditure without authority of Law” and Para 3.4.2 on “Excess expenditure and its regularisation”.

Non-submission of explanations for variations between the budgeted allocation and its utilisation, limits legislative control over budget and financial accountability of the Government.

3.4 Integrity of budgetary and accounting process

3.4.1 Expenditure incurred without authority of law

As per Article 204 of the Constitution, no money shall be withdrawn from Consolidated Fund except under appropriation made by law passed in accordance with the provisions of this Act. Paragraph 17.3.5 of the Budget Manual stipulates that expenditure on a ‘new service’ not contemplated in the budget estimates for the year should not be incurred, whether it is charged or voted and whether it can be met by re-appropriation or not, until it is included in a supplementary statement of expenditure presented to the Legislature and eventually in an Appropriation Act.

In respect of the following Grants, the entire expenditure of ₹0.35 crore was incurred without any budget provision as shown below:

Table 3.3: Grants in which entire expenditure was incurred without budget provision during 2020-21

Sl. No.	Grant Number and Description	Section	Provision(₹)	Expenditure (₹)	Purpose
1	I - State Legislature	Capital Voted	0.00	9,56,323.00	Towards Purchase of Vehicles to Legislature
2	VIII - Transport Administration	Capital Voted	0.00	1,01,142.00	Construction of buildings for Transport Department
3	XXXVII - Tourism, Art and Culture	Capital Voted	0.00	23,98,565.00	Modernisation of Ravindra Bharathi and Lalitha Kala Toranam
Total			0.00	34,56,030.00	

Source: Appropriation Accounts

Further, at sub-head level, the State Government incurred a total expenditure of ₹1,247.27 crore without any budget provision under 60 Sub-Heads as below:

Table 3.4: Expenditure without Budget provision during 2020-21

Number of Grants / Appropriations	Number of Major Heads	Number of Sub-Heads	Expenditure (₹ in crore)
18	30	60	1,247.27

Source: Appropriation Accounts

Some major items of expenditure without Budget provision include the following:

- (i) ‘Subvention from Central Road Fund’ (₹253.29 crore) under Grant No. XI - Roads, Buildings and Ports;
- (ii) ‘Amount Allocable to successor State of TS’ (₹202.19 crore) under Grant No. IX - Fiscal Administration, Planning, Surveys and Statistics;
- (iii) ‘Special assistance to Capital works (₹157.55 crore) under Grant No. XI - Roads, Buildings and Ports;
- (iv) ‘Medical Reimbursement of all types of Pensioners’ (₹155.16 crore), under Grant No. IX – Fiscal Administration, Planning, Surveys and Statistics; and
- (v) State Finance Commission (SFC) Grants to Gram Panchayats (₹117.45 crore) under Grant No. XXXI - Panchayat Raj

These five items constitutes of 71 *per cent* (₹885.65 crore) of the total expenditure without budget. The first four items have had an occurrence in the previous years also and has been commented upon the State Finances Audit Reports of the years concerned. In spite of that, the Finance Department has not provisioned for these items, but has incurred expenditure, which is a cause for concern.

Though there has been a reduction in expenditure without approval of the Legislature during the current year (₹1,247.27 crore) when compared to previous years (₹2,084.03 crore in 2019-20 and ₹3,507.17 crore in 2018-19), the quantum of such expenditure incurred without authority is still substantial.

3.4.2 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. Further, Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. Thus, it is mandatory for a State Government to get excesses over Grants/Appropriations regularised by the State Legislature for the Financial Year.

Our analysis revealed that Excess Expenditures were in the Grants that provide funds for the day-to-day Administration like Fiscal Administration, Home Administration persistently during the past five years. On the other hand, amounts authorised by the Legislature could not be spent in respect of Grants like Municipal Administration and Urban Development, Social Welfare, Tribal Welfare, which deal with development and welfare activities. This indicates that the Budgets for the administrative Grants are underestimated, while welfare and development Grants were over-projected.

3.4.2.1 Excess expenditure in current year

Excess expenditure over the provision for the year is not only in contravention of the provision requiring Legislative sanction, but is also an indicator of poor planning. As shown in **Table 3.1**, there is an overall excess expenditure of ₹24,997.76 crore during the year 2020-21. Compared to 2019-20, while the total budget provision has increased by 21.7 per cent, the expenditure was higher by 25 per cent.

During the year 2020-21, at Grant/ Appropriation level, excess expenditure occurred under 22 sections of 18 Grants and 1 Appropriation (including Public Debt). Under these, an expenditure to the extent of ₹1,29,882.97 crore was incurred against budget provision of ₹48,368.43 crore (i.e., 268.52 per cent of the total provision) (details in **Appendix 3.1**) exceeding the provision by ₹81,514.54 crore.

Analysis at the Major Head (MH) level revealed that there was excess expenditure in 23 Major Heads whose expenditure (₹1,36,830.66 crore) was more than provision (₹55,171.89 crore) by ₹81,658.77 crore. Apart from internal debt of the State Government (MH 6003 - ₹69,011.96 crore), Excess Expenditure occurred under pensions and other Retirement Benefits (MH 2071 - ₹9,175.07 crore), Interest Payments (MH 2049 - ₹2,211.91 crore), Police (MH 2055 - ₹308.18 crore), General Education (MH 2202 - ₹190.92 crore), Capital outlay on Education, Sports, Art and Culture (MH 4202- ₹187.00 crore) and Capital outlay on Minor Irrigation (MH 4702 - ₹174.13 crore).

From the perspective of the scheme/Sub-heads, we observed the following:

- The major contributor for the excess expenditure during the year 2020-21 was 'Repayment of Ways and Means Advances' (₹68,353.90 crore) for which the original provision was only ₹100 crore and supplementary provision was ₹1,000 crore, while the actual expenditure was ₹69,453.90 crore under Grant No. IX - Fiscal Administration (Loans Charged).

- Apart from Repayment of Ways and Means Advances, there was excess expenditure over budgetary authorisation (by ₹1,000 crore or more in each case) under four subheads in Grant No. IX - Fiscal Administration is as detailed below:

Table 3.5: Major contributing items for excess expenditure under Grant No. IX - Fiscal Administration

(₹ in crore)

S. No.	Details of Scheme/Sub-head	Budget	Expenditure	Excess expenditure
1	Service Pensions Allocable to Successor State of Telangana	23.93	3,891.14	3,867.21
2	Interest on State Development Loans (SDL)	12,074.86	13,907.42	1,832.56
3	Family Pension allocable to Successor State of Telangana	3.19	1,400.75	1,397.56
4	Post Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	185.77	1,483.66	1,297.89
	Total	12,287.75	20,682.97	8,395.22

Source: Appropriation Accounts

Except Interest on State Development Loans, all the remaining excess expenditures pertain to the pensions on account of allocation between the States of Andhra Pradesh and Telangana consequent to Andhra Pradesh Reorganisation Act, 2014³. Interest on State Development Loans is a predeterminable item of expenditure that can be estimated with reasonable accuracy.

The Government informed (January 2022) this was mainly on account of Interim Relief announced by Andhra Pradesh Government (which was not done by Telangana previously). This issue is of interim nature and would be settled in the coming years since the Telangana Government has already implemented Pay Commission.

The reply is not tenable as the budget provisions were meagre while the actual expenditure is huge. Further, the Government also did not obtain supplementary provisions.

During 2020-21, there was significant excess expenditure in other grants as well (more than ₹200 crore in each case), involving the following schemes/Sub-Heads:

³ As per Government Orders (May 2014), the payment of pre-bifurcation and post-bifurcation Pensions and other Pension related transactions like Family Pension, Gratuity, Commutation, etc. in respect of employees who rendered service in the composite State of Andhra Pradesh and drawing pension in either of the successor States of Andhra Pradesh and Telangana are allocable in the ratio 58.32:41.68

Table 3.6: Significant items of excess expenditure under various Grants

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-Head	Amount (₹ in crore)
1	XXVII (Revenue Voted)	Agriculture	Investment Support Scheme	801.23
2	V (Revenue Voted)	Revenue Registration and Relief	Covid – 19 Pandemic ⁴	716.58
3	XII (Revenue Voted)	School Education	Samagra Shiksha	534.89
4	XXXI (Revenue Voted)	Panchayat Raj	Assistance to Panchayat Raj Bodies for maintenance of Comprehensive Piped Water Supply	346.09
5	XXII (Revenue Voted)	Tribal Welfare	Investment Support Scheme	253.63
6	XI (Revenue Voted)	Roads, Buildings and Ports	Subvention from Central Road Fund	253.29
7	XXXIV (Capital Voted)	Minor Irrigation	Minor Irrigation Works under Rural Infrastructure Development Fund	205.58
8	XXVII (Revenue Voted)	Agriculture	Rashtriya Krishi Vikas Yojana	204.84

Source: Appropriation Accounts

Box 3.1: Irrigation projects with excess expenditure

Irrigation projects are generally differentiated by minor heads. We observed that excess expenditure of ₹966.21 crore occurred in respect of 20 projects. Major excess expenditure occurred in Palamuru Rangareddy Lift Irrigation Scheme (Capital Voted - ₹790.86 crore) which alone contributes to 82 per cent of the excess expenditure under the Grant No. XXXIII - Major and Medium Irrigation Grant. Excess expenditure also occurred in Sriramsagar Project (Capital Voted - ₹47.93 crore), Srisailem Left Bank Canal (Capital voted - ₹40.12 crore; Revenue voted - ₹0.15 crore), Kalvakurthi Lift Irrigation Scheme (Capital Voted - ₹18.03 crore) and Nagarjunasagar project (Capital Voted - ₹10.47 crore).

3.4.2.2 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 is to be regularised after discussion by the Public Accounts Committee. For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to Public Accounts Committee through Finance Department.

The State Government, however, did not get the excess expenditure amounting to ₹1,32,547.42 crore over and above the allocation, pertaining to the years 2014-15 to 2019-20, regularised as of November 2021 as shown in **Table 3.7** (Grant-wise details are given in **Appendix 3.2**).

⁴ Special Component Plan for Schedule Castes: ₹453.93 crore and Tribal area Sub Plan: ₹262.65 crore

Table 3.7: Details of excess expenditure to be got regularised

(₹ in crore)

Year	Revenue Voted	Revenue Charged	Capital Voted	Loans Voted	Public Debt	Total
2014-15						
Number of Grants / Appropriation	--	1	3	2	--	
Amount	--	1.42	294.98	7.25	--	303.65
2015-16						
Number of Grants / Appropriation	4	1	2	2	--	
Amount	5,361.08	9.37	2.78	507.56	--	5,880.79
2016-17						
Number of Grants / Appropriation	10	3	4	2	--	
Amount	6,261.27	13,127.30	1,762.83	10.19	--	21,161.59
2017-18						
Number of Grants / Appropriation	7	1	2	1	1	
Amount	4,578.26	342.74	341.10	122.06	22,787.11	28,171.27
2018-19						
Number of Grants / Appropriation	3	1	2	2	1	
Amount	4,791.05	794.72	71.48	2,400.00	21,076.44	29,133.69
2019-20						
Number of Grants / Appropriation	10	03	13	05	01	
Amount	11,834.44	49.36	111.95	426.43	35,474.26	47,896.44

Source: Appropriation Accounts of years concerned

While the excess expenditure is to be regularized after discussion in the PAC, the Committee partly discussed the State Finances Audit Report for the year ended March 2017 in its meeting held in May 2018; however, it is yet to give its recommendations. Therefore, the expenditure incurred in excess of authorization by the Legislature is yet to be regularized.

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive.

3.4.3 Unspent Provisions / Large savings

During the year 2020-21, the total savings were ₹56,516.78 crore. Of this, ₹48,601.03 crore (i.e., 86 per cent) pertain to 15 Grants with savings of more than ₹1,000 crore each as shown in *Appendix 3.3*.

Municipal Administration and Urban Development (Capital Voted - ₹7,547.00 crore), Housing (Revenue Voted - ₹7,068.55 crore) and Social Welfare (Revenue Voted ₹6,124.08 crore) were the grants in which major amounts remained unspent. This was mainly on account of the Hyderabad urban agglomeration/construction of Two Bedrooms for urban

and rural poor and Two Bedroom Houses, Scheme for debt relief to farmers, Investment Support Scheme, etc. The following are the some of the schemes where major savings occurred:

- The entire amounts provided in the budget remained unspent in respect of Hyderabad Urban Agglomeration (₹10,000 crore), Construction of Two Bed Rooms House to the Rural Poor (₹3,150 crore), Two Bed Room Houses (₹1,850 crore), and Market intervention fund (₹1,000 crore). It is to be noted that **Hyderabad Urban Agglomeration and Market intervention Fund are new initiatives that were mentioned in the Budget speech, which were not taken up at all.**
- Out of ₹6,225.00 crore provided towards Scheme for debt relief to farmers only an amount of ₹213.18 crore was spent, leaving an unspent provision of ₹6,011.82 crore.
- In respect of ₹5,000 crore provided towards construction of Two Bed Room Houses to the urban poor, only ₹550 crore was utilised resulting in saving of ₹4,450 crore.
- An amount of ₹3,500.00 crore was provided towards Special Development Fund for welfare and development activities. However, only ₹671.93 crore was spent, resulting in a saving of ₹2,828.07 crore.

No reasons were given by Government for the above, as per Appropriation Accounts.

In respect of irrigation projects, major savings occurred in Kaleshwaram projects⁵, Sita Rama Lift Irrigation Scheme⁶ and J. Chokka Rao Lift irrigation Scheme⁷.

Box 3.2: Low expenditure on maintenance of Irrigation Projects

Under Grant No. XXXIII - Major and Medium Irrigation, during the year 2020-21, an amount of ₹280.81 crore was provided in the Original Budget towards 'Maintenance' (under object head Maintenance in Revenue Voted section). Out of this a meagre expenditure of ₹39.85 crore was incurred on maintenance of irrigation projects, mainly on J. Chokka Rao Lift Irrigation scheme (₹11.47 crore), Chotupally Hanumantha Reddy Lift Irrigation scheme (₹3.18 crore), Srisailam Left Bank canal (₹1.13 crore), Rajeev Bheema Lift Irrigation scheme (₹1.01 crore) and Maintenance of other Irrigation Projects (₹12.57 crore). This resulted in savings of ₹240.96 crore. Huge savings on Legislature authorised budget for maintenance of irrigation projects indicates that intended maintenance was not carried out and this also could lead to non-performance of the projects to the envisaged level.

The expenditure on maintenance of Irrigation projects was low when compared to Budget provisions even during the previous year 2019-20.

⁵ Budget Provision ₹7,952.34crore, Expenditure - ₹4,076.82crore, Savings - ₹3,875.52 crore

⁶ Budget Provision ₹931.69 crore, Expenditure - ₹122.13 crore, Savings - ₹809.56 crore

⁷ Budget Provision ₹307.42 crore, Expenditure - ₹114.80 crore, Savings - ₹192.62 crore

The Government opined (January 2022) that the Government accounts are on actual basis only. Expenditure will depend on income and priority of the Government. Due to Covid-19 Pandemic expected revenues have not been realised and hence certain schemes could not be grounded. Income, which was not generated cannot be treated as savings. Budget estimates are projections only, and less expenditure on certain schemes does not represent actual savings.

3.4.4 Persistent trends

Our analysis revealed that excess expenditures were in the Grants that provide funds for the day to day Administration like Fiscal Administration, Home Administration persistently during the past five years. On the other hand, amounts authorised by the Legislature could not be spent in respect of Grants like Municipal Administration and Urban Development, Social Welfare, Tribal Welfare, which deal with development and welfare activities. **This indicates that the Budgets for the administrative Grants were under-projected while welfare and development Grants were over-projected.**

Persistent excess expenditures and persistent savings are mentioned in the succeeding paragraphs:

3.4.4.1 Persistent Excess Expenditure

The Persistent excess expenditure in the Grants indicates that the budgetary monitoring and control in the department was ineffective and budget estimates were not prepared on realistic basis.

In two Grants viz., Grant IX – Fiscal Administration (Revenue Voted) and Grant X – Home Administration (Revenue Voted), excess expenditure occurred persistently, during the last five years.

Table 3.8: Grants in which persistent excess expenditure occurred during last five years

(₹ in crore)

S. No.	Grant Number, Name and Details	2016-17	2017-18	2018-19	2019-20	2020-21
1	IX – Fiscal Administration, Planning, Surveys and Statistics (Revenue Voted)					
	Grant Provision	11,064.66	15,085.24	12,880.90	10,741.27	10,450.72
	Actual Expenditure	15,399.13	17,677.87	16,871.35	19,059.73	19,573.96
	Excess	4,334.47	2,592.63	3,990.45	8,318.46	9,123.24
2	X – Home Administration (Revenue Voted)					
	Grant Provision	3,733.15	4,261.88	5,097.69	5,253.57	5,641.98
	Actual Expenditure	4,773.36	5,220.36	5,870.94	5,886.13	5,909.00
	Excess	1,040.21	958.49	773.25	632.57	267.02

Source: Appropriation Accounts of the years concerned

While excess expenditure in Fiscal Administration Grant was increasing year after year, the expenditure in Home Administration Grant though exceeding the budget provision, is showing a declining trend.

The main reasons for persistent excess expenditure under Grant – IX Fiscal Administration were Service Pensions allocable to successor state of Telangana (₹14,427.90 crore), Family

Pensions allocable to successor state of Telangana (₹5,834.31 crore), Post – Bifurcation Service Pensions allocable between successor states (₹3,809.68 crore). Thus, the excess expenditure mainly was on account of issues arising out of bifurcation of the erstwhile Andhra Pradesh State. In respect of Grant X – Home Administration, excess expenditures occurred in District Police Force (₹1,327.96 crore), City Police Force (₹637.54 crore), Office of the Commissioner of Cyberabad (₹548.21 crore) during 2016-21.

3.4.4.2 Persistent Savings

During the years 2016-21, there were four Grants/Appropriations where there were persistent savings of more than ₹1,000 crore each as shown in **Table 3.9**.

Table 3.9: Grants /Appropriations with persistent savings of more than ₹1,000 crore during the years 2016-21

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Savings rupees in crore (per cent)				
			2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Voted							
1.	XVII	Municipal Administration and Urban Development	4,121.44(75)	3,085.72(67)	4,034.91(67)	1,092.26 (36)	1,948.90(33)
2.	XXI	Social Welfare	3,309.19(53)	3,812.20(40)	4,539.33(38)	1,810.40 (17)	6,124.08(40)
3.	XXII	Tribal Welfare	1,086.02(38)	1,648.59(31)	2,159.04(32)	1,065.39(16)	3,416.30(36)
4.	XXVII	Agriculture	1,598.21(24)	1,344.18(24)	4,178.21(31)	4,347.06 (28)	4,683.96(25)

Source: Appropriation Accounts of the years concerned

- Agriculture (Revenue Voted) Grant, which received high priority during the past few years has registered savings consistently in terms of volume (although savings in terms of percentage has been declining).
- In respect of Social Welfare, the savings were comparatively less only in the year 2019-20. Nonetheless, it was more than ₹1,000 crore in that year and more than ₹3,000 crore in all the other years.

In terms of *percentage*, Grants with persistent savings are shown below:

Table 3.10: Grants / Appropriations with less than 50 per cent utilisation in at least three years during the five-year period (2016-21)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Utilisation in per cent				
			2016-17	2017-18	2018-19	2019-20	2020-21
1.	XVII	Municipal Administration and Urban Development	35	45	37	73	35
2.	XVIII	Housing	27	36	47	107	16
3.	XXXIII	Major and Medium Irrigation	44	36	28	70	68
4.	XXXVI	Industries and Commerce	31	47	28	77	38

Source: Appropriation Accounts of the years concerned

Note: Utilisation of less than 50 per cent is marked in red

- Utilisation of allocation under Municipal Administration and Urban Development, Housing and also Industries and Commerce Grants was less than 50 per cent in four years (except in 2019-20).

- Utilisation of allocation was less than 50 *per cent* in respect of Major and Medium Irrigation Grant in three out of the five years.

3.4.5 Supplementary Grants

As per Article 205 of the Constitution, Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year, as it is necessary to meet (i) Expenditure on Schemes of New Expenditure to be taken up within the current financial year, (ii) Inadequacy of provision, (iii) Fresh expenditure but not technically “Schemes of New Expenditure” and (iv) Omissions of provision. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the concerned Department proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

During the year, ₹26,131.35 crore was provided under Supplementary estimates. We observed the following:

- Under 22 Sub-heads in 17 Grants, the entire Supplementary Provision of ₹241.42 crore approved by Legislature was withdrawn, indicating that the purposes for which Supplementary Provision was obtained were not taken up during the year. Out of these, the major items were Loans from Telangana Transco Bonds (₹133.80 crore), Special Central Assistance for Scheduled Castes Component Plan (₹27.71 crore) and Acquisition/Alienation of land for NIMZ (₹20.00 crore).
- In 50 cases, Supplementary Grants of ₹21,796.96 crore (Rupees one crore and above in each case) *i.e.*, 83 *per cent* of total Supplementary Grant (₹26,131.35 crore) was either unnecessary or excessive. On the other hand, in 16 cases, the Supplementary Grant of ₹4,247.08 crore fell short by 95 *per cent* of the requirement of ₹85,749.31 crore⁸ and proved insufficient.

Table 3.11: Unnecessary / Excessive / Insufficient Supplementary Provision

Sl. No.	Particulars	No. of Grants / Appropriations	Original Provision (₹ in crore)	Supplementary Provision (₹ in crore)	Total Grant (₹ in crore)	Total Expenditure (₹ in crore)	Excess (+) / Savings (-) (₹ in crore)
1	Unnecessary Supplementary	26	75,896.32	4,918.33	80,814.66	54,826.77	(-) 25,987.88
2	Excessive Supplementary	24	32,105.57	16,878.16	48,983.73	41,199.48	(-) 7,784.25
3	Insufficient Supplementary	16	43,841.19	4,247.08	48,088.27	1,29,590.50	81,502.23

Source: Appropriation Accounts

The Grants/Appropriations where Supplementary provision of more than ₹1,000 crore proved unnecessary are detailed in **Table 3.12**.

⁸ being the difference between actual expenditure of ₹1,29,590.50 crore and Budget Provision of ₹43,841.19 crore

Table 3.12: Grants/Appropriations where Supplementary Provision of more than ₹1,000 crore proved unnecessary

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Original	Supplementary	Total	Expenditure	Savings(-)/Excess(+)
1	XXI Revenue Voted	Social Welfare	13,521.27	1,681.89	15,203.17	9,079.08	(-)6,124.08
2	XXXII Revenue Voted	Rural Development	9,816.62	1,042.16	10,858.79	7,465.11	(-)3,393.67
3	XXII Revenue Voted	Tribal Welfare	8,353.05	1,019.81	9,372.87	5,956.57	(-)3,416.30

Source: Appropriation Accounts

Further, the following were also observed:

- An amount of ₹3,935.14 crore was provided towards Covid-19 Pandemic for which there was no original provision. However, the expenditure was only ₹2,313.74 crore indicating that the supplementary provision made in March 2021 was excessive.
- No provision was made in the original budget towards charged expenditure of 'Loans from Power Finance Corporation'. This had to be later supplemented by ₹143.00 crore in the Supplementary provision. Similarly, Interest Payable on Bonds raised by Power Finance Corporation was supplemented by ₹13.76 crore. Reasons for not including these charged items of expenditure, which were to be necessarily incurred by Government, were not on record. The actual expenditure was ₹352.60 crore and ₹30.75 crore, indicating that even the supplementary provision was not sufficient.
- Similarly, voted item of expenditure 'Loans to Telangana TRANSCO for High Voltage Distribution System', which the Government had incurred in the previous year also, was not included in original provision. This was later included in the supplementary provision (₹252.41 crore). The entire amount was expended.

These indicate that the original and supplementary proposals need to be more realistic.

3.4.6 Re-appropriations

Re-appropriation means transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same Grant or charged Appropriation. The Government is allowed to Re-appropriate provision from one unit of appropriation to another within the same Grant, subject to the limits and restrictions laid down. The provisions relating to Re-appropriation are laid down in Chapter 17 of the Budget Manual.

Instead of Re-appropriation from one unit to another within the permissible Heads of Accounts, the Finance Department, however, issued Re-appropriation / Resumption orders, mainly either to decrease or increase the budget provision. The Government also issued Orders either to withdraw the provision approved by the Legislature or made provisions which were not approved by the Legislature.

The net effect of Re-appropriation/ Resumption orders issued by the Government was reduction of budget provision by ₹51,102.14 crore.

3.4.6.1 Irregular Re-appropriations

As per Paragraph 17.6.1 (c) of the Budget Manual, Re-Appropriation cannot be made for the purpose of meeting expenditure on an object for which no provision has been made in the Appropriation Act or Appropriation Act pertaining to the supplementary statement of expenditure for the year.

However, in contravention of the above provision, ₹582.71 crore was provided through Re-appropriation orders, in respect of 29 Sub-Heads in 10 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items of Re-appropriation were Subvention from Central Road Fund⁹ and Amount Allocable to successor state of Telangana¹⁰ (also refer to *paragraph 3.4.1* for expenditure incurred without authority of law).

3.4.6.2 Augmentation of budget provision through Re-appropriations without obtaining approval from Legislature through Supplementary provision

In respect of 7 Sub-Heads in 3 Grants, the Finance Department issued orders for augmentation of Original provision (₹5,108.78 crore) through Re-appropriations directly (₹1,730.92 crore), ₹100 crore or more in each case, instead of seeking approval for Supplementary provision.

3.4.6.3 Re-appropriations at the fag end of the year

As per the provision of Para 17.2.2 of the Budget Manual, all savings, when they come to notice, are to be immediately surrendered with full explanation as to how they came about. However, out of the total Re-appropriation/ Resumption orders¹¹ issued by the Finance Department for overall reduction of provision by ₹51,102.14 crore, only four Re-appropriation orders for a reduction of ₹116.09 crore were issued before 31 March 2021. All the remaining re-appropriation orders for ₹50,986.05 crore (99.77 per cent) were issued on the last day of the financial year.

3.4.6.4 Re-appropriations without specific reasons

Out of 40 Grants, while there was augmentation of provision by ₹11,871.42 crore, specific reasons were given in respect of only for four sub-heads with an effect of ₹107.07 crore (0.90 per cent) (such as for meeting the expenditure of electricity bills, Payments for Land Acquisition compensation, payment for the pending bills of advocate fee, Telangana Tourism etc). For the remaining amount (₹11,764.35 crore), the reasons were generic like ‘increase is based on actual expenditure’.

⁹ Reappropriation: ₹195.50 crore, Expenditure: ₹253.29 crore

¹⁰ Reappropriation: ₹148.20 crore, Expenditure: ₹202.19 crore

¹¹ ₹11,871.42 crore for augmentation of the provision and ₹62,973.56 crore for reduction

3.4.7 Special Development Fund

Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilisation of Financial Resources) Act, 2017 requires that the State shall, in every financial year, earmark in such a manner as may be prescribed, a portion of the total Pragathi Paddu (outlays) of the State which shall be proportionate to the Scheduled Castes/Scheduled Tribes population of the State, to be called as Scheduled Castes Special Development Fund (SCSDF) and Scheduled Tribes Special Development Fund (STSDF). Scheduled Castes and Scheduled Tribes population account for 15.45 per cent and 9.08 per cent of the total population respectively, as per Census 2011. Programmes under SCSDF and STSDF include subsidies for scholarships, construction of roads in Scheduled Castes/Scheduled Tribes hamlets, etc.

Government allocated ₹16,534.97 crore¹² and ₹9,771.28 crore¹³ to SCSDF and STSDF respectively from the total outlay of Pragathi Paddu (₹1,04,612.62 crore) in 2020-21. The allocations account for 15.81 per cent and 9.34 per cent under SCSDF and STSDF respectively, which were marginally higher than the norms prescribed by the Act.

However, 40 per cent and 37 per cent¹⁴ of the allocated funds under SCSDF and STSDF respectively were not utilised.

The actual utilisation fell short in earlier years also as shown below:

Table 3.13: Percentages of expenditure and savings under SCSDF and STSDF in the last five years

(in per cent)

Sl. No.	Year	SCSDF		STSDF	
		Utilised	Savings	Utilised	Savings
1	2016-17	40	60	43	57
2	2017-18	54	46	54	46
3	2018-19	38	62	57	43
4	2019-20	79	21	74	26
5	2020-21	60	40	63	37

Source: Appropriation Accounts of respective years

Further, Article 14 of the Act stipulates that if any amount of Special Development Fund remains unspent, it shall be compensated in the next financial year in the same proportion on the reach of actual expenditure to total budget estimate of Pragathi Paddu at the end of financial year in the manner prescribed. However, there was no mention of such compensation in the budget documents, in spite of funds remaining unspent for years.

3.4.8 Transfers to Other Deposit Accounts

The Appropriation Act authorizes expenditure under specified Grants, during the financial year. Hence, transfer of amounts from the Consolidated Fund of the State into Civil

¹² ₹16,173.08 crore towards all Departments and ₹361.89 crore towards non-divisible infrastructure works

¹³ ₹9,616.18 crore towards all Departments and ₹155.10 crore towards non-divisible infrastructure works

¹⁴ SCSDF: Budget (O+S): ₹18,969.15 crore, Expenditure: ₹11,102.61 crore (60 per cent) and Savings: ₹7,866.54 crore (40 per cent); STSDF: Budget (O+S): ₹11,630.75 crore, Expenditure: ₹7,292.58 crore (63 per cent) and Savings: ₹4,338.17 crore (37 per cent)

Deposits (Major Head 8443 Civil Deposits – Minor Head 800 Other Deposits) under Public Account is a matter of concern as the draws from Public Account (in the subsequent years) would not require approval of the Legislature.

An amount of ₹6,360.79 crore was transferred from Consolidated Fund to Other Deposits during the year 2020-21 by booking expenditure under Revenue (₹3,884.63 crore) and Loans and Advances (₹2,476.16 crore) sections.

Transfers to other Deposits as Revenue Expenditure of more than ₹100 crore happened in respect of Telangana State Housing Corporation (₹750.96 crore), Telangana Minorities Residential Educational Institutions Society (₹419.27 crore), Yadagirigutta Temple Development Authority (₹175.00 crore), Revenue Divisional Officer (₹122.81 crore) and Chief Executive Officer, Telangana Employees Health Scheme and Journalists Health Scheme (₹101.92 crore).

Loans to Telangana Drinking Water Supply Corporation (₹1,740.28 crore), Arogyasri Health Care Trust (₹360.06 crore) and Horticulture Development Corporation (₹300.43 crore) were major items of loans that were transferred to Deposit head under Other Deposits.

The transfer of funds from Consolidated Fund to Deposit Accounts is fraught with the risk of being mere book transfers shown as expenditure and lack of Legislative control when the actual expenditure happens (as further expenditure would not require Legislative approvals).

3.4.9 Misclassification of Expenditure

Expenditure is classified under ‘Charged’ (such expenditure is not submitted to the vote of the Legislative Assembly) and ‘Voted’ items of expenditure separately, depending on the factor that whether the provision requires consent of Legislature by voting or not. Similarly, items of expenditure are also classified under ‘Revenue’, ‘Capital’ and ‘Loans’ depending on the nature of expenditure. Government accounting framework allows for different codes for the above at different levels as detailed in *Paragraph 1.4*. Our observations on misclassification of expenditure are being highlighted in the State Finances Audit Report every year. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement /understatement of revenue expenditure and Revenue Deficit/Surplus. Hence, the Government needs to take steps to ensure correct classification in the accounts so as to bring out transparency.

3.4.9.1 *Payment of semi-annual interest on Andhra Pradesh Power Finance Corporation Bonds*

Erstwhile Government of Andhra Pradesh had raised (2004-13) an amount of ₹5,894.60 crore from public through issue of bonds by Andhra Pradesh Power Finance Corporation Limited. As the liability pertains to Government of Andhra Pradesh, it had provided unconditional and irrevocable Guarantee for servicing these Andhra Pradesh Power Bonds with budgetary support. Consequent to Andhra Pradesh Re-organisation Act

2014, Telangana State Power Finance Corporation Limited¹⁵ was incorporated on 31 July 2014 for the State of Telangana. The main object of the Company was to support / augment the resources for financing the power sector. Out of the outstanding liability of ₹5,894.60 crore through Andhra Pradesh Power Finance Corporation Bonds, a liability of ₹3,509.60 crore was allocated to Government of Telangana.

During 2020-21, an amount of ₹294.72 crore was provided in the Original Budget and subsequently supplemented by ₹139.94 crore, totaling to ₹434.66 crore. An expenditure of ₹375.31 crore was incurred towards payment of semi-annual interest on Andhra Pradesh Power Finance Corporation Bonds series payable to Andhra Pradesh Power Finance Corporation Limited. No provision was made and no expenditure was incurred towards repayment of Principal amount of bonds as there was no maturity of the bonds during the year.

We observed the following misclassifications in respect of payment of interest.

- As per Article 202 (3) (c) of the Constitution, debt charges for which the State is liable, including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt shall be expenditure charged on the Consolidated Fund of the State. However, provision of ₹294.72 crore in the Original Budget Estimates and ₹139.94 crore in the Supplementary Estimates was made under Voted section. The expenditure of ₹375.31 crore was also made under voted section. As a result, the Charged expenditure was understated.
- As per the List of Major and Minor Heads of Account of Union and States, interest payments are classified as Revenue Expenditure under Major Head 2049. In case, any Grants-in-Aid are provided to any Public Sector Undertaking or Autonomous Body for repayment of their loans, they should be classified as Revenue expenditure as per Indian Government Accounting Standards-2. However, the provision and payment of interest in respect of Andhra Pradesh Power Finance Corporation bonds was made under Loan Head of Account of 6801- Loans for Power Projects. Classification of Revenue Expenditure (i.e., servicing of interest charges on liabilities / Grants-in-Aid) as Assets (Loans provided to Telangana State Power Finance Corporation Limited), which resulted in understatement of revenue expenditure and overstatement of assets (loans recoverable). Government had also provided unconditional and irrecoverable Guarantee for servicing the liability with budgetary support.
- The nomenclature for the items in the budget proposal, was mentioned as “Repayment of Loans of Power Finance Corporation bonds” although it was payment of semi-annual interest.

¹⁵ As per ninth Schedule of Andhra Pradesh Re-organisation Act, Andhra Pradesh Power Finance Corporation Limited is to be bifurcated between Andhra Pradesh and Telangana. This is not yet completed. In the meanwhile, based on the request of MD, APPFC, the Government of Telangana has established Telangana State Power Finance Corporation Limited

We observed that during the years 2015-16 and 2016-17, the State Government, in fact, provided these amounts as “Assistance to Telangana Power Finance Corporation” as Grants in Aid. This issue was also highlighted in *paragraph 3.4.8.1* of State Finances Audit Report of the Comptroller and Auditor General of India for the year ended March 2020.

3.4.9.2 Classification of Revenue expenditure under Capital

(i) Classification of Grants-in-Aid under Capital

As per Indian Government Accounting Standard, Grants-in-Aid are payments in the nature of assistance, donations or contributions made by one Government to another Government, body, institution or individual. Expenditure on Grant-in-Aid is to be recorded as Revenue Expenditure in the books of the grantor and as Revenue Receipts in the books of the recipient.

The State Government, however, budgeted an amount of ₹3.30 crore and spent ₹0.55 crore on Grants-in-Aid under Capital Section in respect of five Major Heads. The major expenditure of ₹0.45 crore was Grants-in-Aid given to State Water Resources Development Corporation.

(ii) Classification of surgical consumables under Capital

Revenue Expenditure is recurring in nature and is intended to be met from Revenue Receipts. Capital Expenditure is defined as expenditure incurred to create assets of a material and permanent character, or to reduce permanent liabilities.

The State Government, however, budgeted an amount of ₹3.00 crore and spent ₹1.50 crore on towards purchase of surgical consumables under Capital, which should have been classified under Revenue.

(iii) Classification of Minor works under Capital

The expenditure on ‘Major Works’ is generally considered as Capital Expenditure and expenditure on ‘Minor Works’ as Revenue Expenditure.

The State Government, budgeted ₹185.98 crore and spent ₹163.26 crore on ‘Minor Works’ under Capital. Out of this, ₹84.37 crore was provided towards maintenance under Minor works out of which an amount of ₹60.54 crore was expended. The remaining expenditure was on High Tension Current Consumption (HTCC) charges and work charged establishment.

Incurring expenditure towards maintenance / HTCC charges indicates that the Projects are operational, at least partially. As such in view of Article 30 (A) (5) of accounts code, classification of the expenditure on minor works towards maintenance / HTCC charges under Capital needs to be reviewed.

(iv) Expenditure booked under capital

As per Article 30 (A) (2) of accounts code, expenditure on a temporary asset or expenditure on Grants-in-Aid to local bodies or institutions (for the purpose of creating assets which will belong to these local bodies or institutions) cannot ordinarily be classified as Capital

Expenditure, and shall not, except in cases specifically authorised by the President on the advice of the Comptroller and Auditor General be debited to a Capital Head of Account.

The State Government, however, classified the following expenditure under Capital Section:

Table 3.14: Revenue Expenditure classified under Capital Section

Sl. No.	Particulars	Expenditure (₹ in crore)	Remarks
1	Expenditure on the Mahatma Gandhi National Rural Employment Guarantee Scheme	1,928.82	The scheme is intended for employment generation. However, there was no supporting information for the claim that the assets created out of this belong to the Government and not to Local Bodies or Autonomous Bodies, which implemented the scheme at field level.
2	Constituency Development Programme	31.61	The scheme is intended for taking up Development Programmes in Constituencies. However, there was no supporting information for the claim that the assets created out of this belong to the Government.
	Total	1,960.43	

Source: Appropriation Accounts

As the ownership of these assets cannot be confirmed in audit as resting with the State Government, the classification of expenditure on these schemes under Capital needs to be reviewed by the State Government.

3.4.9.3 Classification of Capital expenditure under Revenue

As mentioned above, Capital Expenditure is defined as expenditure incurred to create assets of a material and permanent character, or to reduce permanent liabilities, while the Revenue Expenditure is recurring in nature. Capital expenditure amounting to ₹46.98 crore was booked under Revenue Section in the following cases:

Table 3.15: Capital Expenditure booked under Revenue Section

Sl. No.	Particulars	Expenditure (₹ in crore)
1	Motor Vehicles – Purchase of Motor Vehicles (Detailed Head 510 and Object Head 512)	3.22
2	Machinery and Equipment – Purchases (Detailed Head 520 and Object Head 521)	36.08
3	Machinery and Equipment – Tools and Plants (Detailed Head 520 and Object Head 522)	7.68
	Total	46.98

Source: Appropriation Accounts

Classification of Assets under Revenue section instead of Capital section results in overstatement of Revenue Expenditure and understatement of Capital Expenditure and Government assets. It also gives scope for siphoning of Government assets, if they are not also taken in to relevant stock registers.

3.5 Effectiveness of budgetary and accounting process

3.5.1 Rush of expenditure

Maintaining uniform pace of expenditure is a crucial component of sound public financial management. Any rush of expenditure in the last quarter or in the closing month of the financial year should be avoided as it adversely affects quality of expenditure and delivery of the services being rendered by various Departments.

The trend of expenditure during the year is shown in the chart below:

Chart 3.6: Trend of expenditure during the four quarters of the year 2020-21



Source: Appropriation Accounts

The expenditure was much higher in last two quarters, particular in the last Quarter, indicating trend of expending more in the second half of the year.

We noticed that the expenditure was considerably higher, in the months of December 2020 (12.84 per cent) and March 2021 (12.45 per cent). Apart from Fiscal Administration in both months, which had a higher outgo on account of repayment of Ways and Means Advances, the main reason for higher expenditure in December 2020 was on account of Investment Support Scheme (Rythu Bandhu) under Grant No. XXVII – Agriculture. The higher expenditure in the month of March 2021 was contributed mainly by Grant No. XII – School Education due to Grants-in-Aid to Samagra Shiksha, Civil Works and Salaries under Teaching Grants to Mandal Praja Parishads and Zilla Praja Parishads.

We also noted that the entire amount of ₹1,500 crore spent on ‘Economic Support Scheme and Land Purchase Scheme’ was in March 2021, by way of transferring the amount from consolidated fund to Deposit account of Telangana State Scheduled Castes Cooperative Finance Corporation. Such transfers to Deposit accounts in the last month inflate the expenditure of the Government, without actually having an assurance that it was spent on the intended purposes.

3.5.2 Review of selected Grants

Two Grants viz., (i) Grant No. V – Revenue, Registration and Relief and (ii) Grant No. XXII – Tribal Welfare were selected for detailed scrutiny. Both the Grants had significant savings as shown below:

Table 3.16: Budget Provision, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

Section	Original	Supplementary	Total	Expenditure	Excess(+) / Savings(-)
Grant No. V -Revenue, Registration and Relief					
Voted					
Revenue	1,866.53	4,229.87	6,096.40	4,828.72	(-)1,267.68
Capital	0.00	2.46	2.46	5.13	2.67
Sub -Total	1,866.53	4,232.33	6,098.86	4,833.85	(-)1,265.01
Charged					
Revenue	0.00	2.31	2.31	2.31	0.00
Grant V Total	1,866.53	4,234.64	6,101.17	4,836.16	(-)1,265.01
Grant No. XXII–Tribal Welfare					
Voted					
Revenue	8,353.06	1,019.81	9,372.87	5,956.57	(-)3,416.30
Capital	1,329.38	93.56	1,422.94	331.88	(-)1,091.06
Grant XXII Total	9,682.44	1,113.37	10,795.81	6,288.45	(-)4,507.36
Total	11,548.97	5,348.01	16,896.98	11,124.61	(-)5,772.37

Source: Appropriation Accounts

3.5.2.1 Grant V–Revenue, Registration and Relief

This Grant is administrated by Revenue Department. The original allocation (₹1,866.53 crore) to this Grant in Budget was one *per cent* of the total Original provision (₹1,82,958.55 crore). Subsequently, huge supplementary provision (₹4,234.64 crore) was made under this Grant, which was 15 *per cent* of the total supplementary provision (₹26,131.35 crore) and was mainly on account of Covid-19 Pandemic. However, an amount of ₹1,265.01 crore out of ₹6,101.17 crore could not be spent, resulting in savings.

(i) Supplementary provisions

- In respect of Revenue voted section, in view of the final expenditure of ₹4,828.72 crore, the supplementary provision of ₹4,229.87 crore in addition to original provision of ₹1,866.53 crore proved excessive.
- In respect of Capital voted section, in view of the final excess of ₹2.67 crore, the supplementary provision of ₹2.46 crore proved to be inadequate.

(ii) Re-appropriation / Resumption Orders

- Issuing Re-appropriation / Resumption orders for surrender of ₹1,948.27 crore in March 2021 was in excess of the eventual saving of ₹1,267.68 crore.

(iii) Covid-19 Pandemic

Originally no budget provision was made towards Covid-19 Pandemic in the budget presented in February 2020. Subsequently, an amount of ₹3,935.14 crore (sub head – 14 Covid -19 Pandemic under Minor Head 800 – Other expenditure) was provided in supplementary estimates approved in March 2021. The details of utilisation of provisions made towards these items are as follows:

Table 3.17: Budget Provision, Expenditure, Excess and Savings towards Covid-19 Pandemic

(₹ in crore)					
Minor Head	Original	Supplementary	Total	Expenditure	Excess(+) / Savings(-)
800 – Other Expenditure	0.00	3,935.14	3,935.14	2,313.75	(-)1,621.39
789 – Special Component Plan for Scheduled castes	0.00	10.00	10.00	463.93	453.93
796 – Tribal Area Sub - plan	0.00	10.00	10.00	272.65	262.65
Total	0.00	3,955.14	3,955.14	3,050.33	(-)904.81

Source: Appropriation Accounts

Thus, Supplementary provision under Minor Head other expenditure proved to be excessive, while those under Special Component Plan for Scheduled Castes and Tribal Area Sub Plan were insufficient.

Commissioner, Disaster Management did not furnish any reasons for either savings under Minor Head 800 Other Expenditure or Excess expenditure under Special Component Plan for Scheduled Castes and Tribal Area Sub Plan.

(iv) National Land Record Management Programme

Originally, an amount of ₹0.03 crore was provided in the budget towards National Land Record Management Programme. Subsequently, an amount of ₹85 crore was provided in supplementary estimates as Grants- in-Aid to meet the expenditure for the lapsed amount of the Central share under National Land Record Management Programme. However, in this regard, the Director of Treasuries and Accounts has authorised and sent for Finance department's approval.

Finance Department did not credit any amount into the Personal Deposit account of Project Director, Bhu Bharathi despite issue of Budget Release Order. As a result, the entire supplementary provision became unnecessary.

(v) State Disaster Response Fund

Originally an amount of ₹500.00 crore was provided in the budget towards transfer to Reserve funds and deposit accounts – State Disaster Response Fund. An amount of ₹449.00 crore was received from the Government of India towards its share of 75 per cent. An amount of ₹598.67 crore was transferred to State Disaster Response Fund, including ₹149.67 crore of State's share of 25 per cent by augmenting the provision by ₹98.67 crore. Out of this only an amount of ₹21.03 crore was spent from State Disaster Response Fund (*refer to paragraph 2.6.2.2 for further details*).

(vi) Land Administration

Under land Administration, amounts of ₹655.02 crore and ₹359.59 crore were provided for Village Establishment and Mandal Administration respectively. Only ₹484.67 crore and ₹302.52 crore were spent, resulting in savings of ₹170.35 crore and ₹57.07 crore respectively. No reasons for savings were furnished by the department. In reply, it was informed that the information was available only at the district level. The reply of the Department indicates that it was not monitoring the expenditure.

3.5.2.2 Grant XXII–Tribal Welfare

This Grant is administered by Tribal Welfare Department. The original allocation (₹9,682.44 crore) to this Grant in the Budget was 5.29 per cent of the total Original Budget provision (₹1,82,958.55 crore). Subsequently, supplementary provision (₹1,113.37 crore) was made under this Grant, constituting 4.26 per cent of the total supplementary provision (₹26,131.35 crore). However, ₹6,288.45 crore was spent out of ₹10,795.81 crore, resulting in savings of ₹4,507.36 crore.

(i) Supplementary provisions

- In respect of Revenue voted section, as the expenditure of ₹5,956.57 crore fell short of even the original provision of ₹8,353.05 crore, the supplementary provision of ₹1,019.82 crore proved unnecessary.
- In respect of Capital voted section, as the expenditure of ₹331.88 crore fell short of even the original provision of ₹1,329.38 crore, the supplementary provision of ₹93.56 crore proved unnecessary.

(ii) Re-appropriation / Resumption Orders

- In respect of Revenue Voted section, Re-appropriation/ Resumption orders for surrender of only ₹3,073.51 crore were issued in March 2021 out of the total saving of ₹3,416.30 crore.
- In respect of Capital Voted section, no orders of Re-appropriation/ Resumption orders for surrender were issued, out of the total saving of ₹1,091.06 crore.

(iii) Entire amounts remain unspent

In the following cases, the entire amounts provided in the Budget were not spent:

- In respect of Capital Voted section, entire amount of ₹908.00 crore provided towards Hyderabad Urban Agglomeration was not spent. We also noted that under the other Grants also like Housing, Social Welfare, the entire amounts provided under Hyderabad Urban Agglomeration were not spent. No reasons were furnished as to why the no amounts could be spent on this scheme (*paragraph 3.4.3 also refers*).
- In respect of Revenue Voted section, entire amounts provided towards Two Bed Room Houses (₹850.00 crore) under Rural Housing, Market Intervention Fund (₹90.80 crore), Interest Free Loans to DWCRA women (₹81.72 crore), Additional facilities to students (₹63.14 crore) and Providing Quality Education to Scheduled Tribes (₹56.24 crore) remained unspent.

We also noted that, under the other Grants also like Housing, Social Welfare, the entire amounts provided under Market Interventions Fund were not spent. No reasons furnished as to why amounts were not spent on this scheme or Two Bed Room Houses under Rural Housing. In respect of Additional facilities to students and providing quality education to scheduled tribes, the Tribal Welfare Department stated (September 2021) that the Tribal Welfare institutions were not opened during the year 2020-21 due to Covid – 19 Pandemic.

(iv) Major Savings on Schemes

In the following cases, the major amounts provided in the Budget were not spent.

- **Scheme for Debt relief to farmers:** An amount of ₹565.23 crore was provided in the budget. Out of this, only an amount of ₹19.36 crore was spent resulting in saving of ₹545.87 crore.
- **Construction of Two Bed Room Houses for urban poor:** An amount of ₹300.00 crore was provided in the budget. Out of this, only an amount of ₹13.62 crore was spent resulting in savings of ₹286.38 crore.

No reasons were furnished by Tribal Welfare Department in respect of the above.

- **Economic Support Scheme:** An amount of ₹268.77 crore was provided towards Economic Support Scheme in the Budget. There was an addition of ₹400.00 crore under Supplementary provision. An expenditure of ₹405.68 crore was incurred and an amount of ₹263.09 crore was withdrawn. The General Manager, Telangana Scheduled Tribes Cooperative Finance Corporation Limited stated that an amount of ₹400.00 crore only was released to personal deposit account on 31 March 2021. This indicates that the amount was released to avoid lapse of the Supplementary Budget. There was a closing balance of ₹1,476.03 crore in the personal deposit account as on 31 March 2021.

We observed that there was an opening balance of ₹1,141.21 crore in the personal deposit account at the beginning of year 2020-21. However, the General Manager, Telangana Scheduled Tribes Cooperative Finance Corporation Limited sought for a budget of ₹472.93 crore, despite having a huge balance in the PD Account. Even the Finance Department has proposed and obtained approval of Legislature for a budget proposal of ₹268.77 crore and a supplementary provision of ₹400.00 crore. Seeking for budget of ₹472.93 crore despite having huge balances by the General Manager, Telangana Scheduled Tribes Cooperative Finance Corporation Limited and acceptance by Finance Department was imprudent.

Release of ₹400.00 crore to General Manager, Telangana Scheduled Tribes Cooperative Finance Corporation Limited at the fag end of the year has only increased the closing balance in the personal deposit account.

- **Residential Schools for Tribals:** An amount of ₹346.14 crore was provided towards Residential schools for Tribals. Out of this, an amount of ₹119.91 crore was spent, resulting in savings of ₹226.23 crore. The entire expenditure of ₹119.91 crore was on account of Grants-in-Aid towards salaries as against the provision of ₹159.88 crore. The entire provision of Other Grants-in-Aid of ₹186.26 crore under the sub Head “Residential schools for Tribals” was withdrawn. The Deputy Secretary, Telangana Tribal Welfare Residential Educational Institution Society stated (September 2021) that the Residential Institutions were closed till 31 January 2021 due to Covid-19 Pandemic.
- **Scholarships (RTF):** An amount of ₹193.00 crore (₹191.25 towards State Sector Schemes and ₹1.75 crore towards Centrally Sponsored schemes) was provided

towards Scholarships (RTF) in the Budget. There was an addition of ₹111.97 crore under Supplementary provision towards Centrally Sponsored Schemes. An expenditure of ₹88.11 crore (₹83.31 crore towards State Sector Schemes and ₹4.79 crore towards Centrally Sponsored schemes) was incurred and an amount of ₹216.86 crore (₹107.94 crore towards State Sector Schemes and ₹108.92 crore towards Centrally Sponsored schemes) was withdrawn. Commissioner of Tribal Welfare stated (September 2021) that the savings occurred due to non-passing of bills at Treasuries.

- **Special Development Fund for Welfare and Development Activities:** An amount of ₹317.80 crore was provided, out of which an expenditure of ₹112.50 crore was only incurred. The Department stated (October 2021) that funds are being released to the districts for sanctioned works, depending on the proposals from the District Collectors. Further, it was also stated that no physical or financial targets are set up for the scheme as the funds are sanctioned at the discretion of the Chief Minister.

Utilisation of budget provisions in respect of Tribal Sub-Plan under Special Development Fund is discussed in *paragraph 3.4.7*.

(v) **Excess expenditure on Investment Support Scheme (Rythu Bandhu)**

An amount of ₹1,271.20 crore was provided towards Investment Support Scheme in original budget, which was supplemented by ₹391.45 crore. An expenditure of ₹1,916.29 crore was incurred resulting in excess of ₹253.64 crore. This indicated that the supplementary provision was inadequate.

3.5.3 Advances from Contingency Fund

Contingency Fund of the State was established under Article 267 (2) of the Constitution. It has a corpus of ₹50 crore and is in the nature of an imprest placed at the disposal of the Governor 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.

During the Period from 01 April 2020 to 31 March 2021, 12 sanctions amounting to ₹13.83 crore were issued and drawn. An expenditure of ₹13.65 crore under 10 sanctions was incurred during the year. The entire amount of ₹13.83 crore along with non-recouped expenditure of ₹4.22 crore pertaining to 2019-20, totalling to ₹18.05 crore was recouped during the year.

No amount remained to be recouped to Contingency Fund at the end of year.

3.5.4 Opening of New Sub Heads/Detailed Heads of Accounts without advice

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.

In the year 2020-21, the Government, however, opened six new sub-heads¹⁶ (under the Revenue Section), without prior concurrence of the AG (A&E). Original provision made under these sub-heads was ₹52.20 crore. Including supplementary provision of ₹9.00 crore, the total provision was ₹61.20 crore. Against this, an expenditure of ₹55.02 crore was incurred.

3.6 Conclusion

There is a consistent trend of incurring expenditure without budget provision as also expenditure over and above the provision across the years in contravention of Constitutional provisions. Such excess expenditure from 2014-15 need to be regularised.

Budgetary assumptions of the State Government were not realistic. Monitoring of budget was inadequate. The budgets for the administrative Grants are under-estimated while welfare and development Grants were over-projected. As a result, persistent excess expenditure occurred in Fiscal Administration and Home administration, while savings occurred in welfare grants indicating inadequate implementation of welfare schemes. Similarly, there was excess expenditure under charged section on one hand, while persistent savings occurred under voted section during the past five years.

Instances of non-utilisation of entire Supplementary Provisions were noticed indicating that either obtaining them was unnecessary or the activities were few due to Covid-19 Pandemic. Amounts were transferred from Consolidated Fund to Other Deposits, which effectively removed legislative control over further expenditure.

3.7 Recommendations

- i. *The State Government needs to get the excess expenditures since 2014-15 regularised by the State Legislature on priority.*
- ii. *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 to avoid huge and persistent savings on welfare and development activities.*
- iii. *State Government shall ensure that supplementary provisions are fully utilised and that no amounts approved under supplementary provision remain unspent.*
- iv. *State Government may ensure that prior concurrence is obtained from Accountant General (A&E) for opening new Sub-Heads/Detailed Heads of accounts.*

¹⁶ (1) Assistance to Other Temples ₹25.00 crore, (2) Assistance to Poultry Farms: ₹20.00 crore, (3) Assistance to Siddipet Urban Development Authority: ₹5.00 crore, (4) Buddhavanam Project Begumpet: ₹0.62 crore, (5) State Innovation Cell: ₹2.10 crore, (6) Wehub: ₹2.30 crore