



Chapter 3
Budgetary Management

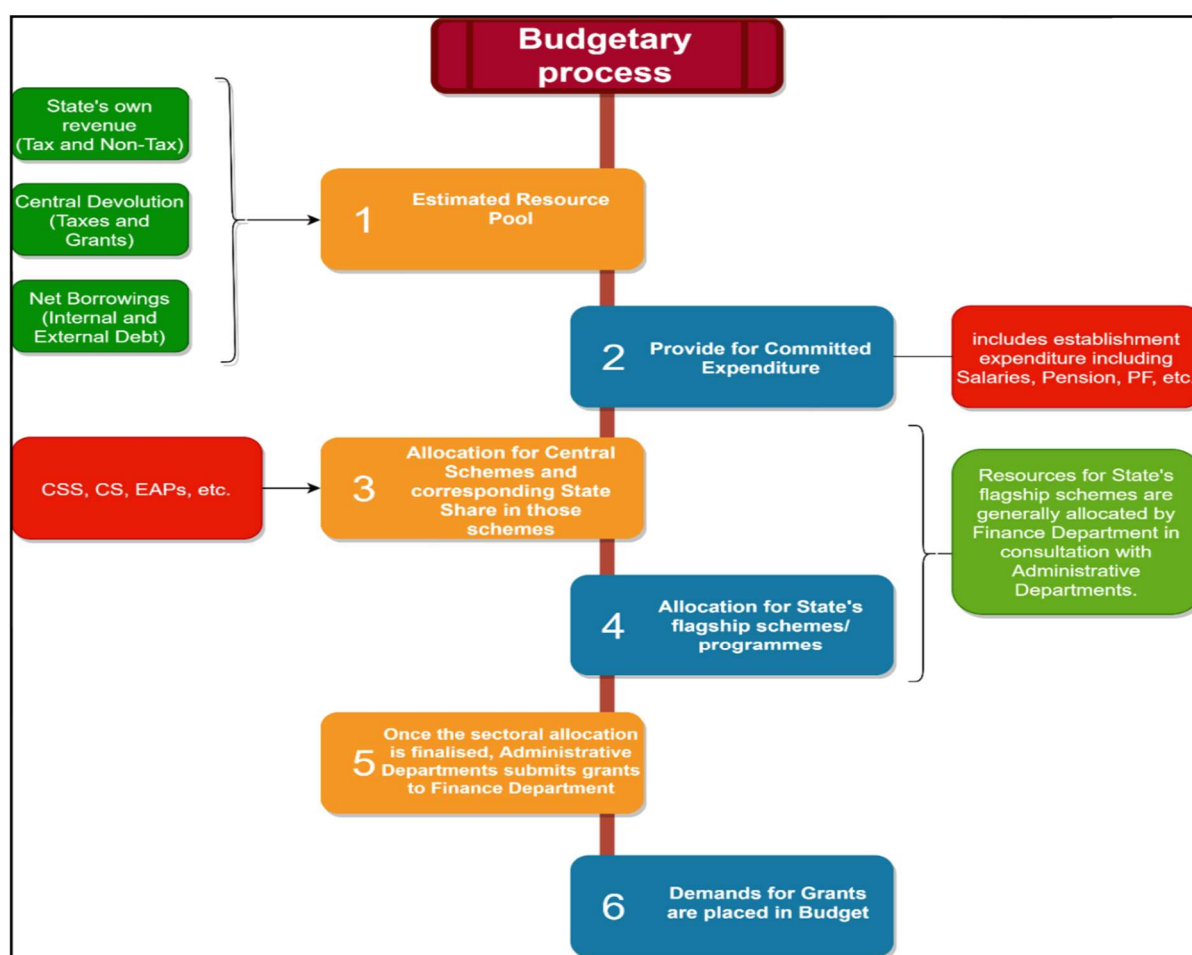
3.1 Introduction

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 of 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 the Budget Circular by the Finance Department providing guidance to the 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



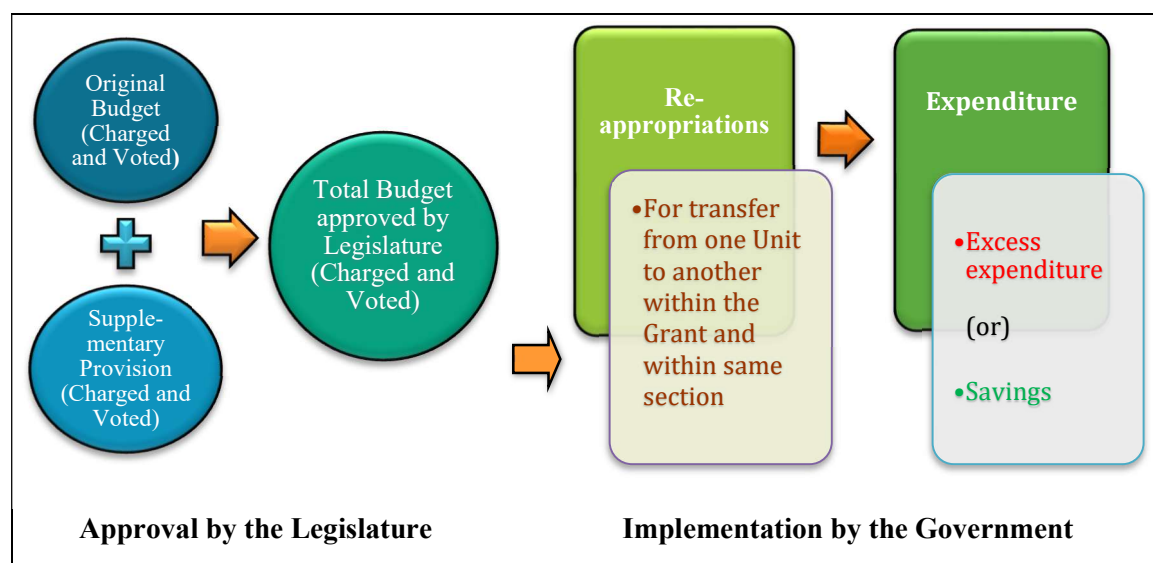
Source: Based on procedures prescribed in Budget Manual and instructions of the State Government

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 Grant/Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriates/re-allocates funds from various Units of Appropriation where savings are anticipated within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) to Units where additional expenditure is envisaged (within the Grant/Appropriation) during the year by 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 replaced these with “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 Pragathi Paddu outlays in a Financial year, based on population 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 or households or habitations or areas.

Audit analyses of utilisation of funds provided under Special Development Fund are detailed in *paragraph 3.4.6*.

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.

Telangana State Government has prepared Outcome Budgets in respect of all the 40 Grants for 2019-20 which were presented before the Legislature along with Budget documents.

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 Article 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 Capital and Revenue Expenditure on various specified services vis-à-vis those authorised by the Appropriation Act (in respect of both Charged and Voted items). Appropriation Accounts represent utilisation of funds, management of finances and 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 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 2019-20

A summarised position of total budget provision, disbursement and saving/excess during the year 2019-20 is given in **Table 3.1**.

Table 3.1: Budget Provision, disbursement and savings/excess during the financial year 2019-20

(₹ 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 March | |
|--|-----------------------|--------------------------------|-------------------------------------|--------------------|--------------------|---|--|------------------------|-----------|
| | | | | | | | | Amount | per cent |
| Voted | Revenue | 96,230.93 | 8,388.20 | 1,04,619.13 | 1,00,818.88 | (-) 3,800.25 | (-)3.63 | 12,873.75 | 12 |
| | Capital | 17,140.35 | 14,383.27 | 31,523.62 | 17,065.58 | (-) 14,458.05 | (-)45.86 | 12,303.60 | 39 |
| | Loans and Advances | 8,896.02 | 1,058.41 | 9,954.43 | 8,707.69 | (-) 1,246.74 | (-)12.52 | 1,613.08 | 16 |
| | Total Voted | 1,22,267.30 | 23,829.88 | 1,46,097.18 | 1,26,592.14 | (-) 19,505.04 | (-)13.35 | 26,790.43 | 18 |
| Charged | Revenue | 14,879.74 | 357.63 | 15,237.37 | 14,908.48 | (-) 328.89 | (-)2.16 | 360.51 | 2 |
| | Capital | 134.32 | 69.98 | 204.30 | 15.46 | (-) 188.84 | (-)92.43 | 188.84 | 92 |
| | Public Debt Repayment | 9,265.77 | 1,000.00 | 10,265.77 | 45,740.03 | 35,474.26 | 345.56 | 673.35 | 7 |
| | Total Charged | 24,279.83 | 1,427.61 | 25,707.44 | 60,663.97 | 34,956.53 | 135.98 | 1,222.70 | 5 |
| Appropriation to Contingency Fund | | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Grant Total | | 1,46,547.13 | 25,257.49 | 1,71,804.62 | 1,87,256.11 | 15,451.49 | 8.99 | 28,013.13 | 16 |

Source: Appropriation Accounts

Note: Out of the expenditure of ₹1,87,256.11 crore, an amount of ₹679.98 crore was transferred to PD Accounts (Head of Account: 8443-106)

As can be seen from the above table, while the total provision in 2019-20 was ₹1,71,804.62 crore, the actual gross expenditure during the year was ₹1,87,256.11 crore (109 per cent of the provision). There was an overall excess expenditure of ₹47,896.44 crore in 21 Grants and 4 Appropriations and savings of ₹32,444.95 crore in 37 Grants and 9 appropriations resulting in a net excess expenditure of ₹15,451.49 crore.

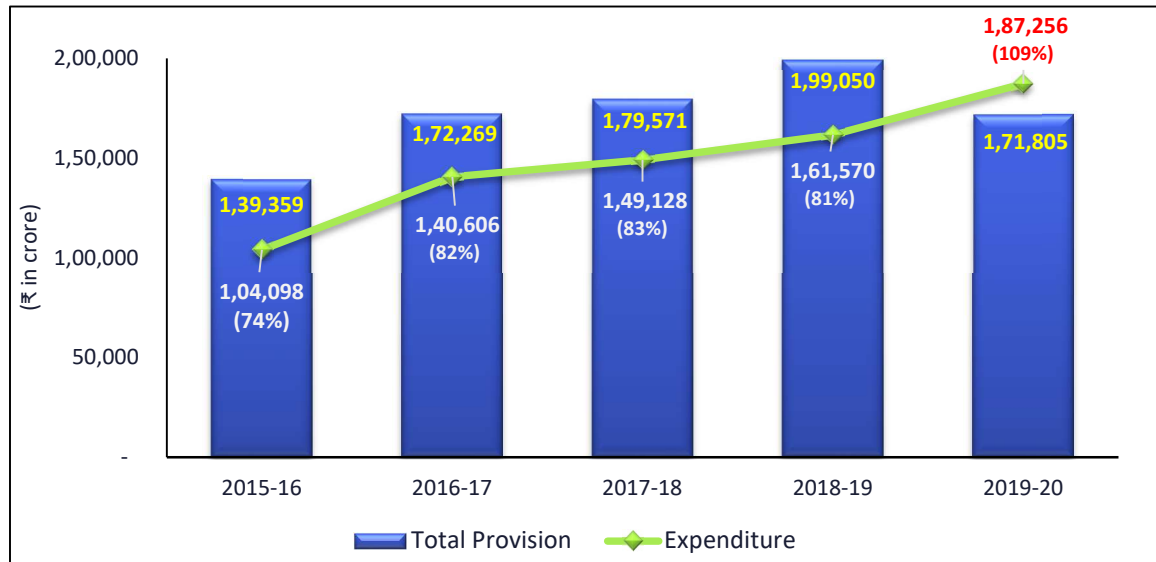
However, except for the Charged item of Public Debt repayment, there was a saving in other Voted Heads of expenditure. The total saving in all the Heads other than Public Debt repayment amounted to ₹20,022.76 crore compared to the allocation of ₹1,61,538.84 crore. Public Debt repayment includes an amount of ₹37,247.59 crore towards repayment of Ways and Means Advances obtained during 2019-20. The State Government incurred ₹2,084.03 crore without any provision in the Budget during 2019-20. This excess payment was not supported by budgetary provision (neither original nor supplementary budget) and was, thus, unauthorised.

Efficient management of tax administration/other receipts and public expenditure holds the key for achievement of various targeted fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ 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 utilized.

3.3.3 Utilisation of budgeted Funds

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

Chart 3.3: Total Provision and Expenditure during the period 2015-16 to 2019-20



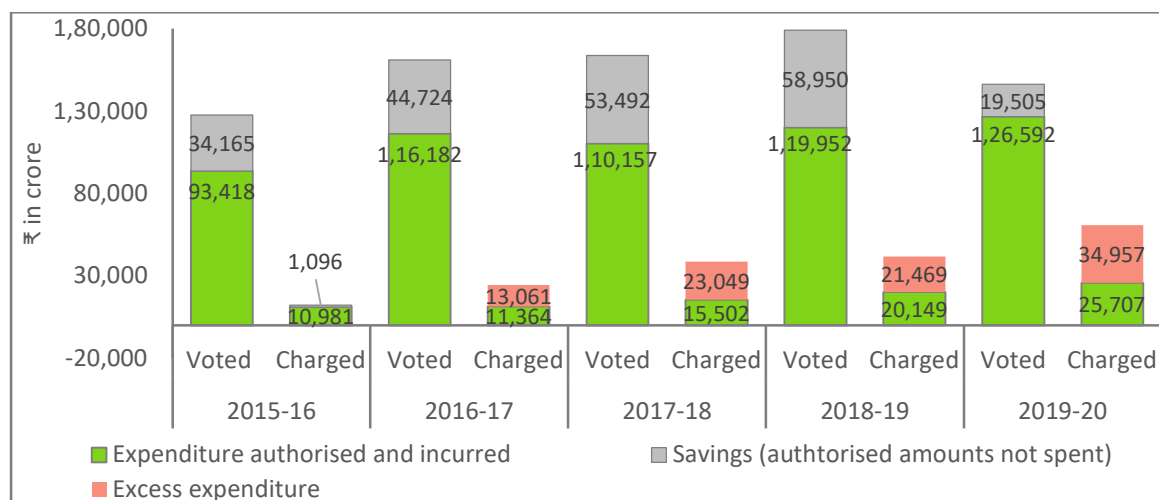
Source: Appropriation Accounts of the years concerned

Budgetary allocation utilised during the period 2015-16 to 2018-19 was less than 85 per cent. However, in 2019-20, expenditure exceeded the total provision.

3.3.4 Trend of Charged and Voted expenditure

The trend of Charged and Voted expenditure during the past five years is shown in *Chart 3.4*.

Chart 3.4: Charged and Voted expenditure during the five-year period 2015-16 to 2019-20



Source: Appropriation Accounts

There was excess expenditure consistently across the years under Charged Section since 2016-17, mainly on account of Repayment of Ways and Means Advances, which was taken

temporarily to bridge shortage in daily resources. There were savings under Voted section every year during the five-year period.

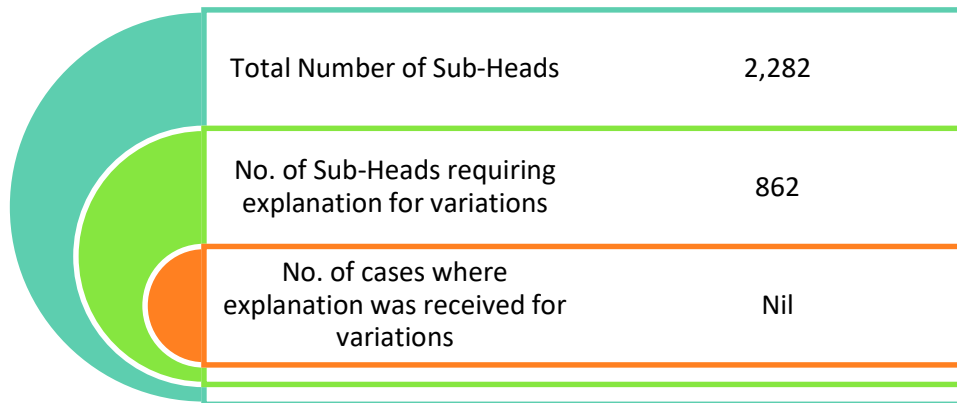
3.3.5 Lack of explanation for variation from Budget

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 (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 of the Government of Telangana.

| | |
|----------------|---|
| Savings | <p>(a) When the overall saving under a grant/charged appropriation is less than 5 <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 saving/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 5 <i>per cent</i> or above of the total provision, comments on saving/excess against individual subheads are included when the saving/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 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 <i>per cent</i> of the provision or ₹50 lakh, whichever is higher.</p> |

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 2019-20 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. 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

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.

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 the expenditure 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 Panchayat Raj Grant (Revenue Charged Section), the entire expenditure of ₹0.56 crore was incurred without any budget provision towards payment of land compensation. This was based on Budget Release Orders (BRO) (November 2019) providing funds with a stipulation to obtain approvals for Supplementary Estimates at an appropriate time. However, approval of Legislature was not obtained for Supplementary Estimates.

The State Government has incurred in all, a total expenditure of ₹2,084.03 crore without any budget provision under 60 Sub-Heads:

Table 3.2: Expenditure without Budget provision during 2019-20

| Number of Grants / Appropriations | Number of Major Heads | Number of Sub-Heads | Expenditure (₹ in crore) |
|-----------------------------------|-----------------------|---------------------|--------------------------|
| 27 | 40 | 60 | 2,084.03 |

Source: Appropriation Accounts

- Out of the above, an expenditure of ₹1,186.58 crore was incurred under Grant 'Revenue, Registration and Relief', Major Head of Account 'Relief on account of Natural Calamities' on Sub-Head 'Covid-19 Pandemic'. While this expenditure

was obviously not budgeted for, it was unavoidable in view of the unforeseen pandemic. Similarly, an expenditure of ₹55.50 crore was spent under Grant 'Medical and Health', Major Head of Account 'Medical and Public Health' on Sub-Head 'Assistance to Health Department for COVID -19'.

Such contingencies are generally met out of the Contingency Fund. However, as the corpus of Contingency Fund is only ₹50 crore, the expenditure was directly met out of the Consolidated Fund. However, considering that this expenditure was incurred without budget provision, it needs to be regularised by the Legislature.

- Other Major items of expenditure without Budget provision include the following:
 - 'Amount Allocable to successor State of TS' (₹244.96 crore) under Grant No. IX, Fiscal Administration, Planning, Surveys and Statistics;
 - 'Subvention from Central Road Fund' (₹234.06 crore) under Grant No XI, Roads, Buildings and Ports;
 - 'Medical Reimbursement of all types of Pensioners' (₹183.20 crore), under Grant No. IX, Fiscal Administration, Planning, Surveys and Statistics;
 - 'Loans to Telangana TRANSCO for High Voltage Distribution System (HVDS)' (₹57.48 crore) under Grant No. XXXV, Energy.

Except for the expenditure incurred due to Covid-19 in 2019-20, there is a reduction in expenditure without approval of the Legislature when compared to previous years (₹3,507.17 crore during 2018-19 and ₹2,217.96 crore during 2017-18). Nonetheless, continuing to incur excess expenditure without budget provision is a cause for concern as it undermines the authority of Legislature.

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.

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 indicative of poor planning, which can be avoided by close monitoring of expenditure progression with budget. As shown in **Table 3.1**, there is an overall excess expenditure of ₹15,451.49 crore during the year 2019-20. As compared to 2018-19, the total budget provision was less by 14 *per cent*, while the expenditure was higher by 16 *per cent*.

In 2019-20, at Grant / Appropriation level, excess expenditure occurred under 32 sections of 21 Grants and 4 Appropriations (including Public Debt). Under these, an expenditure to the extent of ₹92,345.08 crore was incurred against budget provision of ₹44,448.64 crore (i.e., 207.76 per cent of the total provision) (details in **Appendix 3.1**) exceeding the provision by ₹47,896.44 crore. This includes, one Grant (XXXI Panchayat Raj-Revenue Charged Section) in which the entire expenditure of ₹0.56 crore was incurred without any budget provision.

Audit analysis at the Major Head level revealed that there was an expenditure of ₹96,691.09 crore in respect of 74 Major Heads against the budget provision of ₹47,328.49 crore, resulting in excess expenditure of ₹49,362.60 crore.

- The major contributor for the excess expenditure during the year 2019-20 was ‘Repayment of Ways and Means Advances’ (₹36,147.59 crore) for which the original provision was only ₹100 crore and supplementary provision was ₹1,000 crore, while the actual expenditure was ₹37,247.59 crore under Grant - IX Fiscal Administration (Loans Charged).
- Apart from Repayment of Ways and Means Advances, there was excess expenditure over budgetary authorisation (by ₹500 crore or more in each case) under Grant- IX Fiscal Administration (Revenue Voted) Grant as detailed in **Table 3.3**.

Table 3.3: Major contributing items for excess expenditure under Grant – IX Fiscal Administration (Revenue Voted)

(₹ in crore)

| S. No. | Details | Amount |
|--------|--|-----------------|
| 1 | Service Pensions Allocable to Successor State of Telangana | 3,318.41 |
| 2 | Family Pensions allocable to Successor State of Telangana | 1,251.70 |
| 3 | Post Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32 : 41.68 | 1,120.29 |
| 4 | Gratuities allocable to Successor State of Telangana | 601.74 |
| 5 | Commuted value of pensions allocable to Successor State of Telangana | 562.15 |
| 6 | Pre Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68 | 538.54 |
| | Total | 7,392.83 |

Source: Appropriation Accounts

As can be seen from the details tabulated above, the excess expenditure in this Grant was on account of allocation between the States of Andhra Pradesh and Telangana consequent to Andhra Pradesh Reorganisation Act, 2014¹. The Government needs to review the reasons for failure in estimating the above predictable expenditure with reasonable accuracy and take corrective measures for realistic estimation in future.

During 2019-20, there was significant excess expenditure in other grants as well (more than ₹100 crore in each case), involving the following schemes / Sub-Heads:

¹ 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 3.4: Significant items of excess expenditure under various Grants

| S. No. | Grant No. | Grant Name | Scheme / Sub-Head | Amount (₹ in crore) |
|--------|-----------------------|----------------------------|---|------------------------|
| 1 | X (Revenue Voted) | Home Administration | Office of the Commissioner of Cyberabad Police | 130.68 |
| 2 | | | Office of the Commissioner of Rachakonda Police | 122.34 |
| 3 | | | Intelligence Branch | 115.15 |
| 4 | | | Telangana Special Police Units | 108.66 |
| 5 | XI (Loans Voted) | Roads, Buildings and Ports | Loans to Telangana State Road Transport Corporation | 150.00 |
| 6 | XII (Revenue Voted) | School Education | Teaching Grants to Zilla Praja Parishads | 501.74 |
| 7 | | | Teaching Grants to Mandal Praja Parishads | 497.48 |
| 8 | | | Rashtriya Madhyamika Siksha Abhiyan | 277.45 |
| 9 | | | Primary Schools | 154.05 |
| 10 | | | Government Secondary Schools | 102.75 |
| 11 | XVIII (Revenue Voted) | Housing | Pradhan Mantri Awas Yojana (Urban) | 198.53 |
| 12 | XVIII (Loans Voted) | Housing | Loans to Financial Institutions | 207.87 |
| 13 | XXI (Revenue Voted) | Social Welfare | Economic Support Schemes and Land Purchase Scheme | 950.00 |
| 14 | | | State Finance Commission Grants to Urban Local Bodies in Special Component Plan for Schedule Castes | 152.44 |
| 15 | XXI (Capital Voted) | Social Welfare | Construction of Residential School Complex | 111.82 |
| 16 | XXII (Revenue Voted) | Tribal Welfare | Investment Support Scheme | 111.66 |
| 17 | XXXI (Capital Voted) | Panchayat Raj | Mission Bhagiratha | 123.22 |
| 18 | XXXI (Revenue Voted) | Panchayat Raj | Fourteenth Finance Commission Grants to PR bodies | 102.05 |

Source: Appropriation Accounts

3.4.2.2 Persistent Excess Expenditure in Grants

A number of grants witness excess expenditure year after year. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis.

Grants in which Excess expenditure occurred persistently during the last five years are given in **Table 3.5**.

Table 3.5: Grants in which persistent excess expenditure occurred during last five years

(₹ in crore)

| S. No. | Grant Number, Name and Details | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|----------|---|-----------|-----------|-----------|-----------|-----------|
| 1 | IX – Fiscal Administration, Planning, Surveys and Statistics (Revenue Voted) | | | | | |
| | Grant Provision | 9,936.49 | 11,064.66 | 15,085.24 | 12,880.90 | 10,741.27 |
| | Actual Expenditure | 14,871.43 | 15,399.13 | 17,677.87 | 16,871.35 | 19,059.73 |
| | Excess | 4,934.94 | 4,334.47 | 2,592.63 | 3,990.45 | 8,318.46 |
| 2 | X – Home Administration (Revenue Voted) | | | | | |
| | Grant Provision | 4,085.41 | 3,733.15 | 4,261.88 | 5,097.69 | 5,253.57 |
| | Actual Expenditure | 4,413.72 | 4,773.36 | 5,220.36 | 5,870.94 | 5,886.13 |
| | Excess | 328.30 | 1,040.21 | 958.49 | 773.25 | 632.57 |

Source: Appropriation Accounts of the years concerned

Above table shows that both the Grants have expended more than the authorised budget year after year during the five-year period 2015-16 to 2019-20. The excess expenditure under Revenue Voted Section of Fiscal Administration has been increasing primarily on account of the following:

- Post-bifurcation service pensions allocable between the two successor States of Andhra Pradesh and Telangana (₹13,012.17 crore);
- Family pensions allocable to successor State of Telangana (₹4,856.47 crore); and
- Service Pension Allocable to successor State of Telangana (₹2,733.66 crore).

As regards Grant No. X, Home Administration, persistent excess expenditure was incurred under the following Sub-Heads:

- District Police Force (₹1,463.21 crore);
- City Police Force (₹598.88 crore); and
- Telangana Special Police Unit (₹537.79 crore).

Further, in respect of Grant XXIX - Forest, Science, Technology and Environment also, there was an excess expenditure in Capital Voted section over authorisation during 2018-19 (₹68.42 crore) and 2019-20 (₹23.63 crore).

3.4.2.3 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 (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes (EN) for excess expenditure to PAC through Finance Department. Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive.

The State Government, however, did not get the excess expenditure amounting to ₹84,650.99 crore over and above the allocation, pertaining to the years 2014-15 to 2018-19, regularised as of November 2020 as shown in **Table 3.6** (Grant-wise details are given in **Appendix 3.2**).

Table 3.6: 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 | -- | 5880.79 |
| 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 |

Source: Appropriation Accounts

While the excess expenditure is to be regularised after discussion in the PAC, the Committee partly discussed the SFAR 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.

3.4.3 Unspent amounts / Large savings

During the year 2019-20, the total savings were ₹32,444.95 crore. Of this, ₹28,953.03 crore (i.e., 89 per cent) pertain to only 14 Grants with savings of more than ₹500 crore each as shown in *Appendix 3.3*.

3.4.3.1 Savings on maintenance of Irrigation Projects

Under Grant No. XXXIII Major and Medium Irrigation, during the year 2019-20, an amount of ₹246.42 crore was provided in the Original Budget towards 'Maintenance' (under object head Maintenance in Revenue Voted section). This was supplemented by another ₹9.49 crore during the year. Out of the total provision of ₹255.91 crore, a meagre expenditure of ₹5.52 crore was incurred on maintenance of irrigation projects, mainly on Alisagar Lift Irrigation Scheme (₹2.19 crore), Arugula Rajaram Guthpa Lift Irrigation Scheme (₹1.58 crore), Sriramsagar Project (₹0.25 crore) and Maintenance of other Irrigation Projects (₹0.49 crore). This resulted in a saving of ₹250.39 crore. Even out of the expenditure of ₹5.52 crore incurred, ₹0.96 crore was on Annual maintenance of Jalasoudha building. Apart from deviating from the intent of the Legislature, huge savings on maintenance of irrigation projects could lead to non-performance of the projects to the envisaged level.

3.4.3.2 Persistent Savings

During the years 2015-20, there were four Grants / Appropriations where there were persistent savings of more than ₹1,000 crore each as shown in **Table 3.7**.

Table 3.7: Grants / Appropriations with persistent savings of more than ₹1,000 crore during the years 2015-20

| Sl. No. | Grant No. | Name of the Grant/ Appropriation | Savings rupees in crore (<i>per cent</i>) | | | | |
|----------------------|-----------|--|---|---------------|---------------|---------------|---------------|
| | | | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| Revenue Voted | | | | | | | |
| 1. | XVII | Municipal Administration and Urban Development | 1,286.68(40) | 4,121.44(75) | 3,085.72(67) | 4,034.91(67) | 1,092.26 (36) |
| 2. | XXI | Social Welfare | 3,550.73(57) | 3,309.19(53) | 3,812.20(40) | 4,539.33(38) | 1,810.40 (17) |
| 3. | XXXVII | Agriculture | 1,366.57(20) | 1,598.21(24) | 1,344.18(24) | 4,178.21(31) | 4,347.06 (28) |
| Capital Voted | | | | | | | |
| 4. | XXXIII | Major and Medium Irrigation | 3,743.49(37) | 10,823.19(48) | 11,072.86(67) | 11,243.45(58) | 2,062.19 (20) |

Source: Appropriation Accounts of the years concerned

Major and Medium Irrigation (Capital Voted) and Agriculture (Revenue Voted) Grants, which received high priority during the past few years have also registered savings consistently both in terms of volume and *percentage*. However, the savings have declined in 2019-20 in respect of Municipal Administration and Urban Development, Social Welfare and Major and Medium Irrigation Grants.

In terms of *percentage*, the utilisation of Major and Medium Irrigation as well as Municipal Administration and Urban Development Grants was less than 50 *per cent* in three years during the five-year period (2015-20) as shown in **Table 3.8**. The utilisation was less than 50 *per cent* in respect of Housing and Industries and Commerce Grants also during 2016-17 to 2018-19.

Table 3.8: Grants / Appropriations with less than 50 *per cent* utilisation in at least three years during the five-year period (2015-20)

| Sl. No. | Grant No. | Name of the Grant/ Appropriation | Utilisation in <i>per cent</i> | | | | |
|---------|-----------|--|--------------------------------|---------|---------|---------|---------|
| | | | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| 1. | XVII | Municipal Administration and Urban Development | 74 | 35 | 45 | 37 | 73 |
| 2. | XVIII | Housing | 77 | 27 | 36 | 47 | 107 |
| 3. | XXXIII | Major and Medium Irrigation | 71 | 44 | 36 | 28 | 70 |
| 4. | XXXVI | Industries and Commerce | 61 | 31 | 47 | 28 | 77 |

Source: Appropriation Accounts of the years concerned

All the four Grants registered utilisation less than 50 *per cent* during the period 2016-19. The utilisation as a *percentage* of total provision, however, improved in the current year.

3.4.4 Supplementary Grants

As per Article 205 of the Constitution, a 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 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.

Audit analysis showed that Supplementary Grant (Rupees one crore and above) of ₹20,245.50 crore *i.e.*, 80 *per cent* of total Supplementary Grant was either unnecessary or excessive in 50 cases. On the other hand, in 24 cases, the Supplementary Grant of ₹4,941.57 crore fell short by 91 *per cent* and proved insufficient.

Table 3.9: 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 | 83,458.95 | 4,290.50 | 87,749.44 | 63,279.31 | (-) 24,470.14 |
| 2 | Excessive Supplementary | 24 | 17,311.95 | 15,955.00 | 33,266.95 | 26,933.28 | (-) 6,333.67 |
| 3 | Insufficient Supplementary | 24 | 38,566.23 | 4,941.57 | 43,507.81 | 91,318.73 | 47,810.92 |

Source: Appropriation Accounts

The Grants/Appropriations where Supplementary provision of more than ₹500 crore proved unnecessary are detailed in **Table 3.10**.

Table 3.10: Grants/Appropriations where Supplementary Provision of more than ₹500 crore proved unnecessary

| Sl. No. | Grant No. | Grant Name | Original | Supplementary | Total | Expenditure | Savings(-) / Excess(+) |
|---------|--------------------|--|----------|---------------|----------|-------------|------------------------|
| 1 | XXIV Revenue Voted | Minority Welfare | 1,369.89 | 813.67 | 2,183.55 | 1,324.68 | (-)858.88 |
| 2 | XVII Revenue Voted | Municipal Administration and Urban Development | 2,228.85 | 790.30 | 3,019.16 | 1,926.90 | (-)1,092.26 |
| 3 | XXII Revenue Voted | Tribal Welfare | 6,121.27 | 565.54 | 6,686.81 | 5,621.42 | (-)1,065.39 |

(₹ in crore)

Source: Appropriation Accounts

Further, the following were also observed:

- Under 15 Sub-heads in ten Grants, the entire Supplementary Provision of ₹167.17 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 Employee Health Scheme contribution for Pensioners (₹50 crore), Loans to Arogyasree Health Care Trust (₹50 crore) and Revival of Ramagundam Fertilizers and Chemicals Limited (₹30 crore).

- While there was no original provision in respect of investments in DISCOMSs, the supplementary provision was ₹4,400 crore. The actual expenditure was, however, only ₹2,000 crore.
- In respect of Loans, while there was no original provision in respect of Telangana Rajiv Swagruha Corporation Limited, it was later supplemented by a provision of ₹377 crore. In respect of Telangana Road Development Corporation, the original provision of loans of ₹50 crore was later increased to ₹307.52 crore indicating that the supplementary provision was significantly higher than the original provision.

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

3.4.5 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, thus altering the destination of an original provision from one purpose to another, 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 make provision 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 ₹28,013.13 crore.

Audit scrutiny in this regard revealed the following:

3.4.5.1 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, an amount of ₹491.99 crore was provided through Re-appropriation orders, in respect of 44 Sub-Heads in 18 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items were Subvention from Central Road Fund (₹184.50 crore) and Medical Reimbursement to all types of Pensioners (₹183.19 crore).

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

In respect of 11 Sub-Heads in 5 Grants, the Finance Department issued orders for augmentation of Original provision (₹18,050.56 crore) through Re-appropriations (₹2,883.83 crore), ₹100 crore or more in each case, instead of seeking approval for Supplementary provision.

3.4.5.3 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. The Finance Department issued Re-appropriation / Resumption orders on 31 March for augmentation of the provision by ₹7,897.54 crore and reduction by ₹35,910.67 crore resulting in overall reduction of provision by ₹28,013.13 crore. There were no re-appropriations during the year under report, except on 31 March.

3.4.5.4 Re-appropriations without specific reasons

Out of 40 Grants, while there was augmentation of provision by ₹7,897.54 crore, specific reasons were given in respect of only ₹6.21 crore (0.08 *per cent*) (such as for meeting the expenditure of electricity bills, clearing pending bills, payment of travelling allowance and payment of petrol, oil and lubricant charges and Service Postage, Telegram and Telephone charges etc). Out of reduction of provision by ₹35,910.67 crore, specific reasons were given in respect of only ₹1.37 crore (0.004 *per cent*) like non-starting of works for want of Administrative Orders. For the remaining amount, the reasons were generic like 'savings due to actual expenditure' or 'increase is based on actual expenditure'.

3.4.6 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 paddy (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 SC/ST hamlets, etc.

Government allocated ₹12,400.22 crore² and ₹7,184.87 crore³ to SCSDF and STSDF respectively from the total outlay of Pragathi paddy (₹75,263.24 crore) in 2019-20. The allocations account for 16.48 *per cent* and 9.55 *per cent* under SCSDF and STSDF respectively, which were higher than the norms prescribed by the Act.

² ₹12,022.42 crore towards all Departments and ₹377.80 crore towards non-divisible infrastructure works

³ ₹7,022.96 crore towards all Departments and ₹161.91 crore towards non-divisible infrastructure works

However, 21 per cent and 26 per cent⁴ of the allocated funds were not utilised under SCSDf and STSDF respectively. The actual utilisation fell short in earlier years also as it was 38 and 57 per cent respectively for SCSDf and STSDF in the year 2018-19. It was 54 per cent each in 2017-18 and 60 and 57 per cent respectively in 2016-17.

3.4.7 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 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 ₹7,836.94 crore was transferred from Consolidated Fund to Other Deposits during the year 2019-20 by booking expenditure under Revenue (₹4,052.67 crore), Capital (₹2.13 crore) and Loans and Advances (₹3,782.14 crore) sections.

- An amount of ₹2,810.73 crore was provided as Loan to Telangana Drinking Water Supply Corporation. The closing balance in the Deposit Account (Major Head 8443 - Minor Head 800 - Sub-Head 37) was ₹294.55 crore.
- Arogyasri Health Care Trust was provided with loans of ₹720.12 crore apart from ₹253.87 crore as Grants-in-Aid under Revenue Expenditure. Closing balance in the Deposit Account (Major Head 8443 Minor Head 800-Sub-Head 28) was ₹331.55 crore.
- An amount of ₹407.69 crore was provided as Employees Health Scheme and Journalists Health Scheme by transferring the same to Deposits Account. The closing balance in the Deposit Account (Major Head 8443 - Minor Head 800 - Sub-Head 71) was ₹282.69 crore.

3.4.8 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. Similarly, items of expenditure are also classified under ‘Revenue’, ‘Capital’ and ‘Loans’. Government accounting framework allows for different codes for the above at different levels as detailed in **Paragraph 1.4** of Chapter 1. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement /understatement of revenue expenditure and Revenue Deficit/Surplus.

⁴ SCSDf: Budget (O+S): ₹12,701.92 crore, Expenditure: ₹10,065.16 crore (79 per cent) and Savings: ₹2,636.76 crore (21 per cent); STSDF: Budget (O+S): ₹7,728.55 crore, Expenditure: ₹5,702.12 crore (74 per cent) and Savings: ₹2,026.44 crore (26 per cent).

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

Erstwhile Government of Andhra Pradesh (GoAP) had raised (2004-13) an amount of ₹5,894.60 crore from public through issue of bonds by Andhra Pradesh Power Finance Corporation Limited (APPFCL). As the liability pertains to GoAP, it had provided unconditional and irrevocable Guarantee for servicing these AP Power Bonds with budgetary support. Consequent to Andhra Pradesh Re-organisation Act 2014, a liability of ₹3,509.60 crore was allocated to Government of Telangana in this regard.

During 2019-20, an expenditure of ₹287.35 crore was incurred for payment to Telangana State Power Finance Corporation Limited (TSPFCL)⁵ towards payment of semi-annual interest on Andhra Pradesh Power Finance Corporation (APPFC) Bonds series payable to APPFC 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. However, the following misclassifications were observed in audit 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 ₹180 crore in the Original Budget Estimates and ₹55.47 crore in the Supplementary Estimates was made and got approved by Legislature under Voted section. The expenditure of ₹287.35 crore was also made under voted section only. 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. However, the provision and payment of interest in respect of APPFC 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) as Assets (Loans provided to TSPFCL) 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 PFC bonds” although it was payment of semi-annual interest.

In response, the Government (Energy Department) stated (November 2020) that the amount was drawn and disbursed to TSPFCL as per the classification indicated in the BRO issued by the Finance Department.

⁵ 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

While the Energy Department had indicated its requirement of funds for the purpose under this incorrect Head of Account, Finance Department should have exercised due diligence while approving the budget proposal and issuing the BRO for this purpose.

3.4.8.2 Classification of Grants-in-Aid under Capital section

As per Indian Government Accounting Standard (IGAS-2), Grants-in-Aid (GIA) 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 ₹12.09 crore and spent ₹5.86 crore on Grants-in-Aid under Capital Section in respect of eight Major Heads. The major provisions were: ₹6.48 crore towards Roads and Bridges under Major Head 5054 and ₹2.25 crore towards Assistance to TS LIPCO under Major Head 4860. The expenditure incurred on these was ₹3.84 crore and ₹1.50 crore respectively.

The Comptroller and Auditor General of India has been expressing concern about incorrect classification of expenditure in the State Finances Audit Reports every year. Although the tendency of booking GIA as capital expenditure has declined progressively over the past two years, Government needs to consciously endeavour to eliminate this problem to bring about transparency in its accounts.

3.4.8.3 Classification of Minor Works under Capital section

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

The State Government, however, budgeted for ₹1,492.24 crore and spent ₹1,733.34 crore on ‘Minor Works’ under Capital Section. Out of this, nearly 95 per cent (₹1,644.34 crore) pertains to expenditure on High Tension Current Consumption (HTCC) Charges. Significant part of this expenditure (91.66 per cent i.e, ₹1,507.20 crore⁶) was incurred on four major irrigation projects.

Incurring huge expenditure on the HTCC charges in the lift irrigation scheme projects implies that these projects have been partially opened for service. As such, in view of Article 30 (A) (5) of Accounts Code, classification of the expenditure on ‘Minor Works’ on account of HTCC charges under Capital instead of Revenue needs to be reviewed.

During the Exit Conference (March 2021) the Government assured that it would review this aspect.

⁶ Mahatma Gandhi Kalwakurthi Lift Irrigation Scheme (₹642.28 crore), J.Chokka Rao Devadula Lift Irrigation Scheme (₹423.53 crore), Srisailam Left Bank Canal (Alimineti Madhava Reddy Project) (₹333.35 crore) and Rajiv Bheema Lift Irrigation Scheme (₹108.04 crore)

3.4.8.4 Expenditure booked under Capital

As per Note under Rule 30 (1) of Government Accounting Rules, 1990, 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 3.11: Revenue Expenditure classified under Capital Section

| Sl. No. | Particulars | Expenditure (₹ in crore) | Remarks |
|---------|--|--------------------------|--|
| 1 | Expenditure on the Mahatma Gandhi National Rural Employment Guarantee Scheme | 577.11 | 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 | 69.55 | 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. |
| 3 | Expenditure incurred towards Construction/renovation/major repairs of buildings of ZPP and MPP Schools in School Education Department. | 52.28 | There was no supporting information that the Assets created out of this expenditure belong to the Government and not to the Local Bodies concerned. |
| 4 | Purchase of surgical consumables | 17.07 | Expenditure on consumable items is revenue expenditure. |
| | Total | 716.01 | |

Source: Appropriation Accounts

3.4.8.5 Classification of Assets under Revenue Section

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 ₹ 49.56 crore was booked under Revenue Section in the following cases:

Table 3.12: 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) | 23.12 |
| 2 | Machinery and Equipment – Purchases (Detailed Head 520 and Object Head 521) | 23.30 |
| 3 | Machinery and Equipment – Tools and Plants (Detailed Head 520 and Object Head 522) | 3.14 |
| | Total | 49.56 |

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.

3.4.8.6 Booking expenditure on State Sector Scheme under Centrally Sponsored Schemes

KCR Kit (Ammavodi) is a State Sector Scheme aimed at providing compensation for wage loss to pregnant women who receive healthcare services from public health institutions in the State during pre and post-natal periods.

During the year, an expenditure of ₹490.50 crore was incurred under the Scheme. However, an expenditure of ₹420.50 crore was booked under State Sector Scheme and ₹70.00 crore booked under Centrally Sponsored Scheme.

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.

Analysis at the Grant level showed that the total expenditure in respect of the following Grants was more than 40 per cent in the last quarter and/or more than 20 per cent in the month of March 2020 as shown in *Table 3.13*.

Table 3.13: Grants where expenditure was more than 40 per cent during the last quarter and/or more than 20 per cent in March 2020

(₹ in crore)

| Sl. No. | Grant No. | Grant Name | Total Expenditure ₹ in crore | Expenditure in 4 th Quarter | | Expenditure in March 2020 | |
|---------|-----------|-----------------------------------|---------------------------------|--|----------|---------------------------|----------|
| | | | | ₹ in crore | per cent | ₹ in crore | per cent |
| 1 | V | Revenue, Registration and Relief | 3,405.67 | 2,188.94 | 64.27 | 1,340.85 | 39.37 |
| 2 | II | Governor and Council of Ministers | 48.04 | 23.84 | 49.61 | 4.53 | 9.43 |
| 3 | XVIII | Housing | 1,450.18 | 702.79 | 48.46 | 0.14 | 0.01 |
| 4 | XXII | Tribal Welfare | 6,081.41 | 2,830.94 | 46.55 | 1,369.28 | 22.52 |
| 5 | XXI | Social Welfare | 9,056.96 | 4,008.56 | 44.26 | 2,170.82 | 23.97 |
| 6 | XXXV | Energy | 6,339.44 | 2,764.49 | 43.61 | 1,686.75 | 26.61 |

Source: Appropriation Accounts

Expenditure in respect of Social Welfare, Tribal Welfare and Energy Grants was comparatively high during the last quarter and specifically in the month of March 2020. The high expenditure in Grant V – ‘Revenue, Registration and Relief’ was on account of ‘Covid-19 Pandemic’.

In terms of expenditure on specific schemes/sub-heads towards the end of the financial year, the following table gives details where the entire expenditure (over ₹200 crore) was incurred in March 2020.

Table 3.14: Schemes / Sub-Heads in which the entire expenditure was incurred in March 2020 (expenditure of ₹200 crore or more)

(₹ in crore)

| Sl. No. | Grant No. | Head of Account | Scheme / Sub-Head | Entire expenditure incurred in March 2020 |
|---------|-----------|-----------------|---|---|
| 1 | XVII | 2217801911218 | AMRUT | 291.03 |
| 2 | XXI | 2236027892511 | Subsidy on Rice (Human Resource Development) | 606.86 |
| 3 | XXIII | 2225032772510 | Post Metric Scholarships (Non Professionals) | 253.09 |
| 4 | XXIV | 2225048002543 | Telangana State Minorities Residential Schools and Hostels | 389.77 |
| 5 | XXV | 22350210205 | Integrated Child Development Services | 454.57 |
| 6 | XXVII | 2435601012504 | Scheme for Debt relief to farmers | 700.00 |
| 7 | XXXIII | 67000180005 | Telangana State Water Resource Infrastructure Development Corporation Limited (Loans) | 361.24 |
| 8 | XXXIV | 4702001012530 | Mission Kakatiya (Capital Expenditure) | 595.57 |

Source: Appropriation Accounts

3.5.2 Review of selected Grants

A detailed scrutiny of two Grants viz., (i) Grant No. XII – School Education and (ii) Grant No. XXXV – Energy was conducted in audit. At an aggregate level, there was excess expenditure in School Education, while there were savings in Energy Grant as can be seen from **Table 3.15**.

Table 3.15: Budget Provision, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

| Section | Original | Supple-mentary | Total | Expenditure | Excess(+) / Savings(-) |
|--|-----------------|-----------------|------------------|------------------|------------------------|
| Grant No. XII -School Education | | | | | |
| Voted | | | | | |
| Revenue | 8,157.04 | 1,189.79 | 9,346.84 | 10,630.11 | 1,283.27 |
| Capital | 51.98 | 266.08 | 318.06 | 248.92 | (-) 69.14 |
| Total | 8,209.02 | 1,455.87 | 9,664.90 | 10,879.03 | 1,214.13 |
| Grant No. XXXV – Energy | | | | | |
| Voted | | | | | |
| Revenue | 6,103.45 | 35.43 | 6,138.88 | 3,994.61 | (-) 2,144.27 |
| Capital | 0.00 | 4,400.00 | 4,400.00 | 2,000.00 | (-) 2,400.00 |
| Loans | 180.00 | 55.47 | 235.47 | 344.83 | 109.37 |
| Total | 6,283.45 | 4,490.90 | 10,774.35 | 6,339.44 | (-) 4,434.90 |

Source: Appropriation Accounts

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

3.5.2.1 Grant XII - School Education

(i) Excess expenditure due to short provision on Salaries

The excess expenditure was primarily towards sub-heads Teaching Grants to Zilla Praja Parishads (₹501.74 crore), Teaching Grants to Mandal Praja Parishads (₹497.48 crore), Rastriya Madhyamika Siksha Abhiyan (₹277.45 crore), Primary Schools (₹154.05 crore), Government Secondary Schools (₹102.75 crore), Samagra Siksha (₹65.53 crore) while savings occurred under Construction and maintenance of School Buildings

(₹100.00 crore), Mid-Day Meals under Nutritious Meals Programme (₹83.82 crore) and Nutritious Meals Programme (₹71.76 crore).

Further analysis of reasons for excess expenditure revealed that major instances were in respect of detailed head ‘salaries’. The total provision towards salaries was ₹6,887.48 crore, while the expenditure was ₹8,396.88 crore leading to excess expenditure of ₹1,509.40 crore. The following five subheads mainly contributed to the excess expenditure in the Grant.

Table 3.16: Excess expenditure due to short provision of funds under Salaries in School Education (Grant number XII)

(₹ in crore)

| Sub-Head | Proposals of School Education Department | Budget allocation | Expenditure | Excess (+) / Savings (-) |
|---|--|-------------------|-----------------|--------------------------|
| Voted | | | | |
| Teaching Grants to Zilla Praja Parishads | 2,714.48 | 1,773.23 | 2,939.14 | 1,165.91 |
| Teaching Grants to Mandal Praja Parishads | 2,610.08 | 1,966.69 | 3,032.70 | 1,066.01 |
| Rashtriya Madhyamika Siksha Abhiyan | 325.99 | 0.05 | 277.44 | 277.39 |
| Primary Schools | 474.02 | 281.03 | 452.98 | 171.95 |
| Government Secondary Schools | 504.18 | 347.76 | 491.15 | 143.39 |
| Total | 6,628.75 | 4,368.76 | 7,193.41 | 2,824.65 |

Source: Appropriation Accounts, information on proposals as furnished by School Education Department

The proposal sent by the School Education Department with regard to requirement of funds for salaries was way off the mark in terms of the actual requirement based on the expenditure incurred on this component during the preceding years (2017-18: ₹7,768.12 crore and 2018-19: ₹7,781.63 crore in respect of the above five Sub-Heads). However, the approvals given by the Finance Department was far less than those proposed by the School Education Department. The short allocation has led to final excess expenditure as it was inevitable to pay salaries.

In spite of short allocation in respect of salaries, the School Education Department did not seek provision under supplementary estimates. Director of School Education Department replied (December 2020) that supplementary provision was not sought for, as expenditure on salaries was an unavoidable item. The reply, however, does not explain as to why funds were not sought/provided for under a Head of expenditure, which cannot be avoided.

(ii) Failure to obtain Supplementary provision after issue of Budget Release Orders in excess of Budget Provision

As per the definition in the Budget Manual, a Budget Release Order (BRO) is an order to be issued by the Finance (Expenditure) Department to the concerned Head of the Department for the amounts authorised by the Legislature through an Appropriation Act. However, in 20 instances, the Finance Department issued BROs to an extent of ₹676.66 crore in excess of Budget Provision during 2019-20. These BROs were issued mainly in respect of (i) Samagra Siksha ₹523.51 crore, (ii) Midday Meals: ₹42.42 crore (iii) Universalisation of Secondary Education (Andariki Vidya): ₹48.61 crore, (iv) Government Text Book Press: ₹24.32 crore and (v) Conduct of Common Examination: ₹22.53 crore. While issuing the BROs, it was stated that these were additional amounts sanctioned. However, the Finance Department did not get requisite approval of the Legislature through Supplementary Provision for expending these funds resulting in unauthorised excess expenditure over budget provision.

(iii) Assistance to Adolescent Girls

Assistance to Adolescent Girls is a State sector scheme, which was commenced with the objective of providing Health and Hygienic Kits to Girl students studying in class VII to X in Government Schools, Local Bodies Schools, Aided Schools and Model schools of the State.

During 2019-20, a budget provision of ₹75.47 crore was proposed by the School Education Department duly considering the arrears of 2018-19 and requirement for the financial year 2019-20 against which, a Budget of ₹44.92 crore was allocated. Although the Finance Department released (April 2019/January 2020) an amount of ₹37.69 crore out of this budgetary allocation, only ₹4.72 crore was paid towards arrears and the remaining budget of ₹32.97 crore lapsed since the Scheme was not operational due to administrative reasons.

3.5.2.2 Grant XXXV - Energy

In respect of Energy Grant, savings occurred under Assistance to Transmission Corporation (TRANSCO) of Telangana for agricultural and allied subsidy (₹2,111.87 crore) and Investments (₹2,400 crore) in DISCOMs while excess occurred under Loans to Telangana TRANSCO for High Voltage Distribution Systems (HVDS), and payment of interest to Power Finance Corporation Ltd for Bonds (₹51.88 crore).

(i) Expenditure under loans section without budget approvals

In the Budget of the previous year, i.e., 2018-19, an amount of ₹302.14 crore was provided towards Loans to Telangana TRANSCO for High Voltage Distribution System (HVDS). Despite the issue of BRO for ₹57.48 crore, the amount could not be utilised during the year 2018-19. During the current year, this amount was released and expended, although there was no budget provision (either original or supplementary). This amount therefore, needs to be regularised by the Legislature.

(ii) Non-utilisation of supplementary provision for investment in DISCOMs

In the supplementary budget of the State for 2019-20, an amount of ₹4,400.00 crore was provided for towards 'Investment in DISCOMs' (₹2,400.00 crore)⁷ and funding for operational losses of DISCOMs (₹2,004.68 crore)⁸.

Out of this, however, only an expenditure of ₹2,000 crore was incurred. Three bills viz., (i) ₹400 crore towards investment in DISCOMs, (ii) ₹1,918.40 crore and (iii) ₹86.28 crore both towards UDAY scheme⁹ were rejected for reasons not on record.

Thus, only ₹2,000 crore could be utilised out of the supplementary provision of ₹4,400 crore.

⁷ (i) G.O.No.11, dated 6 July 2019 for ₹400 crore, (ii) G.O.No.1, dated 3 January 2020 for ₹2,000 crore

⁸ (i) G.O.No.13, dated 8 August 2019 for ₹1,918 crore, (ii) G.O.No.2, dated 8 January 2020 for ₹86.28 crore

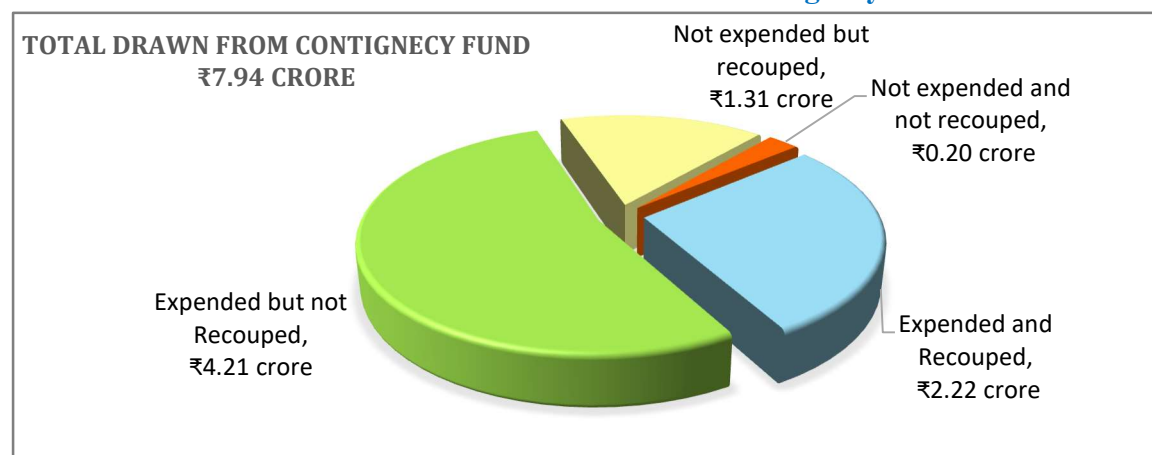
⁹ Ujwal DISCOM Assurance Yojana (UDAY) scheme was meant for financial turnaround of DISCOMs

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 year 2019-20, the State Government drew ₹7.94 crore¹⁰ from Contingency Fund, out of which, an amount of ₹6.43 crore was expended. Out of the total advance drawn, only an amount of ₹3.53 crore was recouped by the close of the financial year as depicted in *Chart 3.6*.

Chart 3.6: Status of Advances from Contingency Fund



Source: Appropriation Accounts

- Out of the above, payments made towards decretal amount to a Contractor under Major Head ‘Capital outlay on Housing’ (₹0.53 crore) and payment of decretal charges for acquisition of land under Major Head ‘Capital outlay on Roads and Bridges’ (₹0.78 crore) though recouped, were not expended.
- Advances drawn for providing ex-gratia to toddy tappers under State Excise (₹0.10 crore), compensation to assignees of the lands to implement the order of Honourable High Court under ‘District Administration’ (₹2.31 crore), compensation involved in road traffic accident under ‘Medical and Public Health’ (₹0.21 crore) and Decretal Charges to Deposit in the Court towards ‘Assistance to Municipalities for Development Works under Urban Development’ (₹1.59 crore) though expended, were not recouped.

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

During the Exit Conference (March 2021), the Government assured that it would look into the matter.

¹⁰ Decretal Charges (₹4.94 crore) and Compensation (₹3.00 crore)

3.6 Conclusion

Budgetary assumptions of the State Government were not realistic during 2019-20 and control over the execution and monitoring of budget was inadequate.

Supplementary Grants/Appropriations were obtained without adequate justification and in some cases, despite the Legislature not approving supplementary provision, expenditure was incurred. Savings were neither surrendered on time nor were explanations provided to the Accountant General (A&E) for variations in expenditure *vis-à-vis* allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

State Government has persistently been incurring excess expenditure over authorisation during the last few years, which is a cause for concern. While excess expenditure of ₹84,650.99 crore incurred during the last five years was yet to be regularized by the Legislature, ₹2,084.03 crore was incurred during 2019-20 without budgetary provision, which undermines the authority of State Legislature.

Utilisation of budgetary provision under four socio-economic Grants was less than 50 *per cent* of the allocation during the period 2016-19, which affected socio-economic development in the State.

Due diligence was not carried out for drawl of advances from Contingency Fund. These advances were not also fully utilised for the intended purpose; nor were these fully recouped within the financial year.

3.7 Recommendations

- i. *State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilize the allocated resources;*
- ii. *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 Grants/Appropriations are controlled and excess expenditure over authorisation is scrupulously avoided;*
- iii. *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.*
- iv. *Advances drawn from the Contingency Fund need to be invariably recouped before close of the financial year.*