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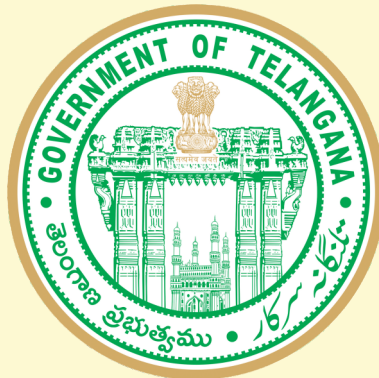
Report of the Comptroller and Auditor General of India

State Finances Audit Report

for the year ended March 2019



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Telangana
Report No. 4 of 2020

**Report of the
Comptroller and Auditor General of India
State Finances Audit Report
for the year ended March 2019**

Government of Telangana

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Table of Contents

Particulars	Reference to	
	Paragraph	Page
<i>Preface</i>		v
<i>Executive Summary</i>		vii
Chapter - 1		
Finances of the State Government		
Gross State Domestic Product (GSDP)	1.1	1
Summary of Fiscal Transactions	1.2	1
Review of Fiscal Situation	1.3	4
Financial Resources of the State	1.4	10
Application of Resources	1.5	18
Government Assets	1.6	27
Government Liabilities	1.7	33
Fiscal Reform Path	1.8	42
Apportionment of Assets and Liabilities between Andhra Pradesh and Telangana	1.9	43
Chapter - 2		
Financial Management and Budgetary Control		
Financial Accountability and Budget Management	2.1	45
Summary of Appropriation Accounts	2.2	46
Analysis of Expenditure	2.3	46
Supplementary Provisions	2.4	52
Re-appropriations	2.5	53
Rush of Expenditure	2.6	55
Advances from Contingency Fund	2.7	55
Review of selected Grants	2.8	56
Special Development Fund	2.9	58
Deficiencies in Budgeting	2.10	58
Chapter - 3		
Financial Reporting		
Personal Deposit Accounts	3.1	61
Opaqueness in Accounts	3.2	67
Compliance to Indian Government Accounting Standards	3.3	69
Submission of Annual Accounts by Autonomous Bodies	3.4	70
Submission of Utilisation Certificates	3.5	71

Particulars	Reference to	
	Paragraph	Page
Submission of Detailed Contingent bills	3.6	72
Un-reconciled Receipts and Expenditure	3.7	73
Follow up action on Audit Reports	3.8	74

Appendices

Appendix No.	Name of the Appendix	Reference to	
		Paragraph	Page
1.1	Profile of Telangana		77
1.2	Structure of Government Accounts and layout of Finance Accounts		78
1.3	Abstract of Receipts and Disbursements in 2018-19	1.2	79
1.4	Time Series Data on State Government Finances	1.2	81
1.5	Composition and application of resources in the Consolidated Fund of the State	1.2	84
1.6	Summarised financial position of the Government of Telangana as on 31 March 2019	1.6	85
1.7	Summarised position of Apportionment of balances between Andhra Pradesh and Telangana as on 31 March 2019	1.9	86
2.1	Top five Grants with high Savings and Excess expenditure	2.3.2	87
2.2	Excess expenditure against amounts authorised by the Legislature during the year	2.3.2.1	87
2.3	Cases of Expenditure incurred without approval of the Legislature	2.3.2.1	88
2.4	Grants/Appropriations where saving was more than ₹100 crore each and more than 20 <i>per cent</i> of the total provision	2.3.2.3	90
3.1	Cases where entire Receipts were booked under omnibus Minor Head – 800 in 2018-19	3.2	92
3.2	Cases where almost entire expenditure booked under omnibus Minor Head - 800 in 2018-19	3.2	92
3.3	Cases where more than 50 <i>per cent</i> of Receipts were booked under omnibus Minor Head - 800 for the year 2018-19	3.2	93
3.4	Cases where more than 50 <i>per cent</i> of Expenditure was booked under omnibus Minor Head - 800 for the year 2018-19	3.2	93
3.5	Statement of Un-reconciled Receipts of Telangana for the year 2018-19	3.7	94
3.6	Statement of Un-reconciled Revenue Expenditure of ₹100 crore above for the year 2018-19	3.7	96
	Glossary of Terms		97
	Abbreviations		99

Preface

This Report has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution.

The State Finances Audit Report of Government of Telangana intends to assess financial performance of the State during 2018-19 and to provide the State Legislature with inputs based on audit analysis of financial data. The Report attempts to analyse the financial performance against the targets envisaged by the Telangana Fiscal Responsibility and Budget Management (Amendment) Act, 2016, the Fourteenth Finance Commission Report and Budget Documents. This Report contains three Chapters.

Chapter 1 is based on the Finance Accounts and makes an assessment of Telangana Government's fiscal position as on 31 March 2019. It provides an insight into the trends in revenue, expenditure, repayment of debt and borrowing patterns.

Chapter 2 is based on Appropriation Accounts of Government of Telangana and the manner in which the allocated resources were managed by the service delivery Departments.

Chapter 3 is an inventory of Government of Telangana's compliance to various reporting requirements and financial rules.

An Entry Conference was held in January 2020 with Principal Secretary, Finance Department, Government of Telangana wherein the issues taken up for review in the State Finances Audit Report were discussed.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Fiscal situation of the State

There has been an increase in growth of Revenue Receipts (RR) and Revenue Expenditure (RE) during the years 2015-16 to 2018-19. As a percentage of Gross State Domestic Product (GSDP), however, both RR and RE have decreased marginally in 2018-19. The growth rates of RR and RE have risen in 2018-19 and came close to the growth rate of GSDP. Capital Expenditure (CE) has decreased in 2018-19 in comparison to preceding year as well as in comparison to GSDP.

(Paragraph 1.2)

The State registered a Revenue Surplus of ₹4,337 crore. The Fiscal Deficit was ₹26,949 crore. Revenue Surplus, however, was overstated by ₹9,481.97 crore and Fiscal Deficit was understated by ₹217.86 crore on account of misclassifications and non-contribution to Statutory Funds. Effectively, there was a Revenue Deficit of ₹5,144.97 crore and a Fiscal Deficit of ₹27,166.86 crore.

The two important fiscal parameters were within the limits, viz., (i) Fiscal Deficit was 3.11 *per cent* of GSDP (₹8,65,688 crore) and within the limit of 3.25 *per cent* prescribed by 14th Finance Commission (XIV FC) and 3.5 *per cent* target set out in Medium Term Fiscal Policy Statement of the State Government as per FRBM Act; (ii) the total outstanding liabilities (₹1,96,963 crore) were 22.75 *per cent* of the GSDP, which is within the limit of 23.33 *per cent* prescribed by XIV FC and also within 25 *per cent* as targeted by Medium Term Fiscal Policy Statement (MTFP) of the State Government.

Primary Deficit (₹14,363 crore), in 2018-19, has decreased by nine *per cent* in comparison to preceding year (₹15,864 crore). Primary Deficit, though decreased, indicates that the non-debt receipts were not sufficient to meet Primary Expenditure.

(Paragraph 1.3.1)

Mobilisation and application of Resources

Revenue Receipts (₹1,01,420 crore) in 2018-19 increased by ₹12,596 crore (14 *per cent*) over 2017-18. They were, however, lower than the budget estimates by ₹29,555 crore (23 *per cent*).

Revenue Expenditure (₹97,083 crore) in 2018-19 increased by ₹11,718 crore (14 *per cent*) over 2017-18. It was, however, lower than the budget estimates by ₹28,372 crore (23 *per cent*).

Capital Expenditure (₹22,641 crore) in 2018-19 decreased by ₹1,261 crore (five *per cent*) in comparison to 2017-18, which was, however, lower than the budget estimates by ₹10,728 crore (32 *per cent*).

Recommendation: The Finance Department should rationalise the budget preparation exercise, so that the gap between the budget estimates and actuals is minimised.

(Paragraphs 1.2 and 1.3.2)

Summary of important audit findings and recommendations

Efficiency in Tax Collection

The efficiency in collection (measured in terms of cost of collection as a percentage of the Gross Revenue collection) of major taxes of the State remained almost constant compared to previous year in respect of Taxes on Vehicles, Stamps and Registration Fees, while there was improvement in efficiency in respect of Taxes on Sales, Trade *etc.*, State Goods and Services Tax and State Excise.

(Paragraph 1.4.2.2)

Committed Expenditure

The burden of committed expenditure measured as a percentage of Revenue Expenditure of the State, which was steadily rising during the previous years has declined by six *per cent* from 61 *per cent* of Revenue Expenditure in 2017-18 to 55 *per cent* in 2018-19.

There was increase in interest payments (16 *per cent*), subsidies (two *per cent*) and salaries (1.5 *per cent*). Pension payments, on the other hand, decreased by four *per cent*. Greater reliance on market borrowings by the Government in the recent years has led to increase in liabilities on account of interest payments.

(Paragraph 1.5.2.1)

Adequacy of public expenditure

Telangana focussed more on Development Expenditure (₹93,483 crore) and Capital Expenditure (₹22,641 crore). The focus of Government on Education was comparatively lesser across the years.

(Paragraph 1.5.4.1)

Per Capita expenditure in some major socio economic sectors

The Agriculture got the top priority with 97.82 *per cent* increase in Per Capita expenditure over previous year due to a new Investment Support Scheme (Rythu Bandhu). There was a considerable increase (12.41 *per cent*) on Health and Family Welfare over previous year. There was a considerable dip in the Per Capita expenditure in respect of Transport (14.32 *per cent*) and Education, Sports, Arts and Culture (6.19 *per cent*).

(Paragraph 1.5.4.2)

National Pension System

There was an overall shortfall in contribution by Government to a tune of ₹57.50 crore as compared to contribution by the employees during the last five years. As a result, the current liability of the Government stands deferred to future years.

An amount of ₹1,445.14 crore (inclusive of all receipts, apportionment amount and opening balance) was received into NPS deposit account, out of which the Government transferred an amount of ₹1,171.58 crore to National Securities Depository Limited (NSDL), leaving a closing balance of ₹273.57 crore in the NPS Deposit Account.

An amount of ₹730.64 crore available under National Pension System (NPS) deposit account *i.e.*, Defined Contributory Pension Fund as of 01 April 2018 was to be apportioned between Andhra Pradesh and Telangana. Out of this, an amount of ₹365.21 crore was apportioned in 2018-19 between the two States and Telangana received ₹134.60 crore. An amount of ₹365.43 crore was yet to be apportioned.

Thus, the State Government has created an interest liability on the amount of ₹331.07 crore (which is the total of ₹273.57 crore, the amount not transferred to NSDL and ₹57.50 crore, the overall short contribution by the Government over five years), incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the employees affected / avoidable financial liability to Government in future, and, thus leading to possible failure of the scheme itself.

(Paragraph 1.5.2.4)

Capital Outlays: Incomplete Projects

The State Government has spent ₹1,01,877 crore on capital projects during the years 2014-19. Within the capital projects, the major share of the Capital Expenditure was on Irrigation and Flood Control. Delays in completion of projects, however, not only adversely affected the quality of the expenditure but also deprived the State of the intended benefits and economic growth. Out of 26 ongoing projects, 20 projects were delayed with delays ranging from three months to 11 years and led to escalation of projected cost to ₹1,87,848 crore. An amount of ₹1,00,494 crore was already spent on these incomplete projects so far. The State Government did not disclose the financial results of any of the Irrigation projects.

Recommendation: *State Government may compile working results of Major Irrigation Projects to assess benefits from persistent heavy investments in Irrigation sector. These working results would guide future investments in the sector.*

(Paragraph 1.6.1)

Investments

As of 31 March 2019, the State Government's investment in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives stood at ₹19,754 crore. The Return on Investment (RoI) from Corporations / Companies was low at 0.48 *per cent* while the average rate of interest on Government borrowings was 6.93 *per cent*.

(Paragraph 1.6.2)

Loans and Advances given by the State Government

As of 31 March 2019, Loans and Advances given by the Government to Autonomous Bodies, Corporations *etc.*, were ₹24,509 crore. While the average rate of interest payments as a percentage of outstanding liabilities is 6.39 *per cent*, the interest receipts as a percentage of outstanding Loans and Advances was only 0.03 *per cent*.

Out of ₹24,509 crore loans provided, 28 *per cent i.e.*, ₹6,920 crore were provided to Autonomous Bodies without definite stream of revenues of their own for debt servicing. Thus, such Loans do not indicate real worth of Government assets.

Government provided loans (₹5,932.30 crore) to Hyderabad Metropolitan Water Supply and Sewerage Board, whose annual accounts were in arrears from 2010-11. Government also gave fresh loans of ₹1,083.32 crore to three autonomous bodies for servicing their past loans.

The current level of recovery of loans was very low. In the Budget estimates, an amount of ₹7,807 crore was estimated to be recovered in 2018-19. The actual recovery (₹66 crore), however, was only 0.85 per cent of the estimated recovery.

Recommendation: *The State Government may place on record debt servicing capacity of the institutions before providing loans.*

(Paragraph 1.6.3)

Ways and Means Advances

State Government maintained the mandatory minimum daily cash balance of ₹1.38 crore with RBI for only 197 days during the year. The State Government depended on Special Drawing Facility (for 168 days: ₹5,606.47 crore), Ways And Means Advances (for 135 days: ₹13,616.88 crore) and Over Draft (for 32 days: ₹2,599.92 crore) for maintaining the minimum balance with RBI. In monetary terms, however, SDF / WMA / OD decreased by ₹1,099 crore (five per cent decrease) in 2018-19 over 2017-18. However, it still indicates increasing dependency of Government on WMA. The interest payment on WMA (including SDF and OD) during 2018-19 was ₹15.44 crore as against ₹13.82 crore in 2017-18, i.e., 12 per cent increase.

(Paragraph 1.6.4)

Contribution to Reserve Funds

State Government was to contribute ₹829.25 crore to the Consolidated Sinking Fund (CSF) in 2018-19. The contribution of State Government in 2018-19 was ₹500 crore. Further the interest earned on the investment from CSF was ₹352.31 crore. Thus, the total addition to CSF during the year was ₹852.31 crore.

The shortfall in contribution to Guarantee Redemption Fund (GRF) in the year 2018-19 was ₹188.56 crore. The State Government did not contribute in 2016-17 and 2017-18, though, it contributed ₹83.94 crore in 2015-16. The total available balance (₹837.69 crore) in GRF as of March 2019 was only 1.08 per cent of the outstanding amount of guarantees (₹77,713 crore) as against the target of three per cent.

(Paragraph 1.7.1)

Guarantees

Guarantees (₹77,713 crore) given by the Government to the end of 2018-19 stood at 87 per cent of total Revenue Receipts of the preceding year (₹88,824 crore) and was within the ceiling of 90 per cent. It was noted that the State Government was extending Guarantees to bodies that had not finalised their accounts.

Out of the total loans guaranteed by the Government, 65 *per cent* pertained to two Special Purpose Vehicles *viz.*, (i) Telangana Drinking Water Supply Corporation for implementation of a flagship project: Mission Bhagiratha and (ii) Kaleshwaram Irrigation Project Corporation Limited for implementation of Kaleshwaram Project.

Guarantee Commission of ₹388.56 crore was to be received by the Government to the end of March 2019 from 26 institutions to which Guarantees of ₹77,713 crore were provided. Guarantee commission of ₹340 crore was, however, received from only one institution *viz.*, Telangana State Water Resources Infrastructure Development Corporation Limited (TSWRIDCL). This was much higher than the Guarantee Commission actually receivable from TSWRIDCL on the outstanding guarantees of ₹4,141 crore.

(Paragraph 1.7.2)

Debt Management

Outstanding Public Debt (₹1,65,164 crore) increased by 16 *per cent* in 2018-19 over the preceding year, at a slightly higher pace than growth of GSDP. Interest payments are increasingly consuming Revenue Receipts. Interest payments relative to Revenue Receipts were much higher at 12.41 *per cent* against the target of 8.37 *per cent* fixed by XIV Finance Commission.

Net Availability of Borrowed Funds (NABF) indicate the amount that can be utilised by Government for its activities after payment of interests and repayment of borrowings. There was a decrease (₹3,553 crore) in NABF despite higher market borrowings (₹2,908 crore) in comparison to 2017-18 (₹26,231 crore) on account of higher interest payments (₹1,750 crore) and higher principal repayments (₹12,877 crore).

The difference between real growth rate and real interest rate *i.e.*, Domar gap is positive during the period from 2015-16 to 2018-19. Therefore, as per Domar model, the Public Debt is stated to be stable. It is, however noteworthy that the Domar gap has been registering a decreasing trend. Moreover, other factors such as public liabilities and *force majeure* events have to be reckoned in assessing debt sustainability / stability of the State.

The maturity profile of outstanding public debt as of March 2019 showed that 46 *per cent* (₹76,262 crore) of total outstanding public debt is to be repaid over the next seven years.

(Paragraph 1.7.3)

Fiscal Reform Path

State Government (combined State), in compliance with the recommendations of the XII Finance Commission (XII FC), enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 (amended in 2016).

FRBM Act, 2005 also requires the State Government to make disclosures and statements under Section 10 of FRBM Act, 2005 together with Rule 6 of Fiscal Responsibility and Budget Management Rules, 2006. The State Government, however, did not make four out of ten disclosures required to be made.

(Paragraph 1.8)

Apportionment of Assets and Liabilities between Andhra Pradesh and Telangana

An amount of ₹1,51,349.67 crore under Capital Heads, ₹28,099.69 crore under Loans and Advances, ₹4,474.04 crore under Deposits and Advances, ₹238 crore under Suspense and Miscellaneous and ₹310.24 crore under Remittances was yet to be apportioned between Andhra Pradesh and Telangana even after more than five years of State Re-organisation.

(Paragraph 1.9)

Excess expenditure

Excess expenditure of ₹29,133.69 crore was incurred in seven Grants and two Appropriations. A total expenditure of ₹3,507.17 crore was incurred at sub-head level without any budget provision in 34 cases. Persistent Excess expenditure occurred in Fiscal Administration, Planning, Surveys and Statistics and Home Administration Grants.

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

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

(Paragraph 2.3.2.1)

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. State Government did not get the Excess expenditure of ₹55,517.30 crore, over and above the allocation pertaining to the years 2014-15 to 2017-18, regularised.

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

(Paragraph 2.3.2.2)

Savings

In the year 2018-19, the total savings were ₹66,614 crore, of which, ₹61,856 crore (93 per cent) pertain to 39 Grants with savings of more than ₹100 crore each and by more than 20 per cent of the total provision. In addition, during the years 2014-19, there were six Grants with persistent savings of more than ₹1,000 crore in each year.

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

(Paragraph 2.3.2.3)

Re-appropriations

Re-appropriations are meant for transfer of saving in one scheme / unit to another within the same Grant and under same section (*i.e.*, Capital, Revenue or Loans). Finance Department, however, issued re-appropriation orders to mainly withdraw the budget provisions, on the last day of the financial year. There were several deficiencies in Re-appropriations like decrease of provisions in cases of Excess expenditures, augmentation of provision in cases of savings, issuing orders for withdrawing of entire provision whilst incurring full expenditure, issue of Re-appropriation orders without budget provisions, orders of withdrawing the provision of charged expenditure, unnecessary re-appropriation *etc.*

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

(Paragraph 2.5)

Rush of Expenditure

During 2018-19, out of the total expenditure of ₹1,61,570.20 crore, an amount of ₹55,077.98 crore (34.09 *per cent*) was spent in the last quarter of the financial year. However, it was observed that an amount of ₹50,179.11 crore (32.92 *per cent* of the total receipts of ₹1,52,447.94 crore) was received during the last quarter only. The expenditure during the last quarter this year was higher by 6.03 *percentage* points in comparison to 2017-18 when the expenditure during the last quarter was ₹41,848.98 crore (28.06 *per cent* of the total expenditure of ₹1,49,127.91 crore).

A Budget Provision of ₹2,400 crore was allocated under 4801 - Capital Outlay on Power Projects. Out of this, expenditure of ₹1,800 crore (75 *per cent*) was incurred in the month of March 2019.

(Paragraph 2.6)

Advances from Contingency Fund

An amount of ₹17.18 crore was sanctioned as advance from Contingency Fund, out of which an expenditure of ₹15.96 crore was incurred towards decretal charges and to deposit amounts in different courts in connection with acquisition of lands for various developmental activities of the Government. No expenditure was incurred in respect of ₹1.21 crore. In respect of ₹0.01 crore, neither expenditure was incurred, nor recoupment took place. On the whole, an amount of ₹15.07 crore only was recouped back to Contingency Fund. 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.

(Paragraph 2.7)

Personal Deposit (PD) Accounts

The State Government reported that 182 accounts fall under the definition of Personal Deposit (PD) Accounts. This was at variance with the number of PD accounts reported in earlier years (28,674 in 2017-18 and 28,087 in 2016-17). The proliferation of number of

PD accounts in earlier years was owing to absence of unique ID to PD Administrators, considering all the Deposit Accounts operated by each Designated Drawing Officers as a separate PD account. Out of the 13,396 Category 'C' Deposit Accounts, all the test checked accounts (52) were operated as PD accounts at field level. Hence, the number of PD accounts reported as 182 was at variance with the situation at field level.

Amounts of ₹3,576 crore and ₹4,946 crore were transferred to Category 'C' Deposit Accounts in the months of March 2018 and March 2019 respectively, indicating that the PD accounts were being utilised for transfer of funds at the fag end of financial year to avoid lapse of budget.

PD Administrators in respect of seven test checked cases deposited an amount of ₹721.36 crore in Current Account / Savings Bank Account / Fixed Deposit Receipt account.

Unspent balances in respect of seven cases amounting to ₹467.38 crore in Category 'C' Deposit accounts pertaining to 2018-19, which should have been lapsed in view of the spirit of Budget Manual, Financial Code were not lapsed. Unspent balances in respect of five test checked cases amounting ₹309.64 crore pertaining to earlier financial years (*i.e.*, 2016-17 and 2017-18), which were to be lapsed as per Government Orders (April 2000) were not lapsed to the Government account at the end of 2018-19.

As per the information furnished by Directorate of Treasuries and Accounts, amounts of ₹321 crore and ₹2,606 crore were lapsed and credited to Government account as Revenue Receipts in March 2018 and March 2019 respectively, instead of as minus debit to the corresponding service Head of Account, resulting in overstatement of both Receipts and Expenditure.

Out of the 125 PD accounts reported to be in operation, there was no expenditure in respect of 76 accounts; no receipts in 40 accounts; and no balance in respect of 12 accounts.

Recommendation: Government may consider assigning a Unique ID to each PD Administrator. Government may review its orders of April 2000 to align them with Budget Manual and Financial Code. State Government may review Category 'C' Deposit Accounts being operated as PD accounts and bring them under the relevant Head of Account. State Government may also initiate action to close the inoperative PD accounts.

(Paragraph 3.1)

Submission of Annual Accounts by Autonomous Bodies

None of the 24 Autonomous Bodies, which were to submit their Annual Accounts for certification to Comptroller and Auditor General of India submitted their Annual Accounts in time. There were delays ranging from one to nine years in submission of accounts.

Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) did not submit annual accounts from 2010-11 onwards. Despite non-rendering of accounts for nine years, the Government has been providing Loans and Guarantees to HMWSSB. The State Government has provided ₹874.80 crore as Loans to HMWSSB in 2018-19 alone. The total Loans outstanding as of March 2019 stood at ₹5,932.30 crore. Further, the value of Guarantees given by State Government to HMWSSB also increased from ₹3,399 crore (March 2018) to ₹3,487 crore (March 2019).

Metropolitan Legal Services Authority and Telangana State Group Life Insurance did not submit even their first Annual Accounts since 2010-11 and 2014-15 respectively, as of December 2019.

(Paragraph 3.4)

Submission of Detailed Contingent bills

Detailed Contingent bills (2,969) of funds drawn for items of contingent nature were not submitted for ₹340.39 crore, in the absence of which there was no assurance that the money was spent for purpose for which they were drawn. Out of the above, 1,651 bills worth ₹193.54 crore pertain to only three Departments. Further, there were 365 AC bills amounting to ₹30.12 crore pertaining to the period prior to bifurcation of the State.

Advances drawn and not accounted for increases the possibility of wastage / mis-appropriation / malfeasance *etc.*

(Paragraph 3.6)

This Chapter provides an audit perspective on the finances of the State Government during 2018-19 and analyses changes in major fiscal aggregates relative to 2017-18 keeping in view overall trends during the preceding four years.

The analysis is based on the details contained in the Finance Accounts of Government of Telangana. A profile of the State with demographic and other details is in *Appendix 1.1*. The structure of the Government Accounts is explained in *Part A* and the layout of the Finance Accounts in *Part B* of *Appendix 1.2*.

1.1 Gross State Domestic Product (GSDP)

The Gross State Domestic Product (GSDP)¹ of Telangana in 2018-19 at current prices was ₹8,65,688 crore. The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year: 2011-12) are given in *Table 1.1*. Growth of GSDP in Telangana was higher than the all-India average at both current and constant prices.

Table 1.1: GDP of India and GSDP of the State

Year	2015-16 (TRE)	2016-17 (SRE)	2017-18 (FRE)	2018-19 (AE)
Current Prices				
India's GDP (₹ in crore)	1,37,71,874	1,53,62,386	1,70,95,005	1,90,10,164
Growth rate of GDP (<i>per cent</i>)	10.5	11.5	11.3	11.2
State's GSDP (₹ in crore)	5,77,902	6,59,033	7,53,811	8,65,688
Growth rate of GSDP (<i>per cent</i>)	14.24	14.04	14.38	14.84
Constant Prices (Base year – 2011-12)				
India's GDP (₹ in crore)	1,13,69,493	1,22,98,327	1,31,79,857	1,40,77,586
Growth rate of GDP (<i>per cent</i>)	8.0	8.2	7.2	6.8
State's GSDP (₹ in crore)	4,64,542	5,08,156	5,59,750	6,18,544
Growth rate of GSDP (<i>per cent</i>)	11.58	9.39	10.15	10.50

Source: Ministry of Statistics and Programme Implementation (figures as on 01 August 2019 and 02 September 2019 for GDP); TRE: Third Revised Estimates; SRE: Second Revised Estimates; FRE: First Revised Estimates; AE: Advance Estimates

1.2 Summary of Fiscal Transactions

Table 1.2 presents the summary of fiscal transactions of State Government during 2018-19 *vis-à-vis* 2017-18 and 2016-17. Further details of receipts and disbursements as well as overall fiscal position during 2018-19 are given in *Appendix 1.3*. Time series data of Government Finances for the years 2014-19 are given in *Appendix 1.4*.

¹ Gross Domestic Product (GDP) and Gross State Domestic Product (GSDP) refers to the market value of all officially recognised final goods and services produced within the Country and the State respectively in a given period of time, accounted without duplication and are an important indicator of the Country and State's economy.

Table 1.2: Summary of Fiscal Transactions in 2016-19

(₹ in crore)

Receipts				Disbursements			
	2016-17	2017-18	2018-19		2016-17	2017-18	2018-19
Section A – Revenue Account²							
Tax Revenue	48,408	56,520	64,674	General Services	25,125	30,872	34,199
Non-Tax Revenue	9,782	7,825	10,007	Social Services	35,286	37,260	39,721
Share of Union Taxes/Duties	14,876	16,420	18,561	Economic Services	20,949	17,200	23,158
Grants from Government of India	9,752	8,059	8,178	Grants-in-Aid and Contributions	72	33	5
Total Revenue Receipts	82,818	88,824	1,01,420	Total Revenue Expenditure	81,432	85,365	97,083
Section B – Capital Account³ and Others							
Miscellaneous Capital Receipts	--	--	---	Capital Expenditure	33,371	23,902	22,641
Recoveries of Loans and Advances	156	138	66	Loans and Advances disbursed	3,402	6,209	8,706
Public Debt ⁴ Receipts*	44,819	49,153	50,962	Repayment of Public Debt*	15,568	27,471	28,716
Net of inter-state Settlement ⁵	--	--	---	Net of inter-state Settlement	50	186	5
Contingency Fund	--	--	0.09	Contingency Fund	0.09	--	2.10
Public Account Receipts	1,09,094	1,06,511	1,14,152	Public Account Disbursements	1,05,368	98,664	1,09,222
Opening Cash Balance	6,468	4,164	6,993	Closing Cash Balance	4,164	6,993	7,218
Grand Total	2,43,355	2,48,790	2,73,593	Grand Total	2,43,355	2,48,790	2,73,593

Source: Finance Accounts

* excluding Ways and Means Advances⁶, Public Debt receipts are ₹32,731 crore in 2016-17, ₹26,231 crore in 2017-18 and ₹29,139 crore in 2018-19; Repayment of Public Debt was ₹3,480 crore in 2016-17, ₹4,549 crore in 2017-18 and ₹6,893 crore in 2018-19

² Revenue Account is the account of the current income and expenditure of the State. The income is derived mainly from taxes and duties, fees for services rendered, fines and penalties, revenue from Government estates such as forests and other miscellaneous items

³ Capital Account is the account of expenditure of a capital nature such as construction of buildings, laying of roads, irrigation and electricity projects. Such expenditure is met from sources other than current revenues, e.g. loans, surplus revenue of previous years, if any, and capital receipts. Capital Receipts include Miscellaneous Capital Receipts, Recoveries of Loans and Advances etc.

⁴ Public Debt comprises loans raised by Government such as market loans, loans from the Life Insurance Corporation of India, etc., and loans and advances from the Central Government

⁵ Inter-State Settlement is intended to provide for the accounting of sums due by one State Government to another under the financial settlement, on the setting up of new States or under the States' Reorganisation Acts as well as the financial settlement between the centre and foreign countries

⁶ Ways and Means Advances are temporary advances extended by RBI to the Government. These are meant to bridge the gap between expenditure and receipts. They are not a source of finance but are meant to provide support, for purely temporary difficulties that arise on account of mismatch/shortfall in revenue or other receipts for meeting Government liabilities

Composition and application of resources of the Consolidated Fund of the State in the year 2018-19 is given in **Appendix 1.5**.

The trends of Revenue Receipts (RR) / Revenue Expenditure (RE) / Capital Expenditure(CE) relative to GSDP at current as well as constant prices⁷ are given in **Table 1.3**.

Table 1.3: Trends in RR / RE / CE relative to GSDP

Particulars	2015-16	2016-17	2017-18	2018-19
Gross State Domestic Product at current prices	5,77,902	6,59,033	7,53,811	8,65,688
Revenue Receipts (RR) relative to GSDP				
RR at current prices (₹ in crore)	76,134	82,818	88,824	1,01,420
Rate of growth of RR at current prices (<i>per cent</i>)	*	8.78	7.25	14.18
RR at constant prices (₹ in crore)	61,200	63,858	65,957	72,466
Rate of growth of RR at constant prices (<i>per cent</i>)	*	4.34	3.29	9.87
RR/GSDP	13.17	12.57	11.78	11.72
Revenue Expenditure (RE) relative to GSDP				
RE at current prices (₹ in crore)	75,896	81,432	85,365	97,083
Rate of growth of RE at current prices (<i>per cent</i>)	*	7.29	4.83	13.73
RE at constant prices (₹ in crore)	61,008	62,789	63,389	69,367
Rate of growth of RE at constant prices (<i>per cent</i>)	*	2.92	0.95	9.43
RE/GSDP	13.13	12.36	11.32	11.21
Capital Expenditure (CE) relative to GSDP				
CE at current prices (₹ in crore)	13,590	33,371	23,902	22,641
Rate of growth of CE at current prices (<i>per cent</i>)	*	145.56	(-) 28.37	(-)5.28
CE at constant prices (₹ in crore)	10,924	25,731	17,749	16,177
Rate of growth of CE at constant prices (<i>per cent</i>)	*	135.54	-31.02	-8.85
CE/GSDP	2.35	5.06	3.17	2.62

Source: Finance Accounts and GSDP data from MoSPI (figures as on 01 August 2019) of respective years

* Not compared with 2014-2015, as figures for 2014-15 are for only 10 months (due to bifurcation of Andhra Pradesh State (combined) after 2 June 2014)

From the above table the following can be observed:

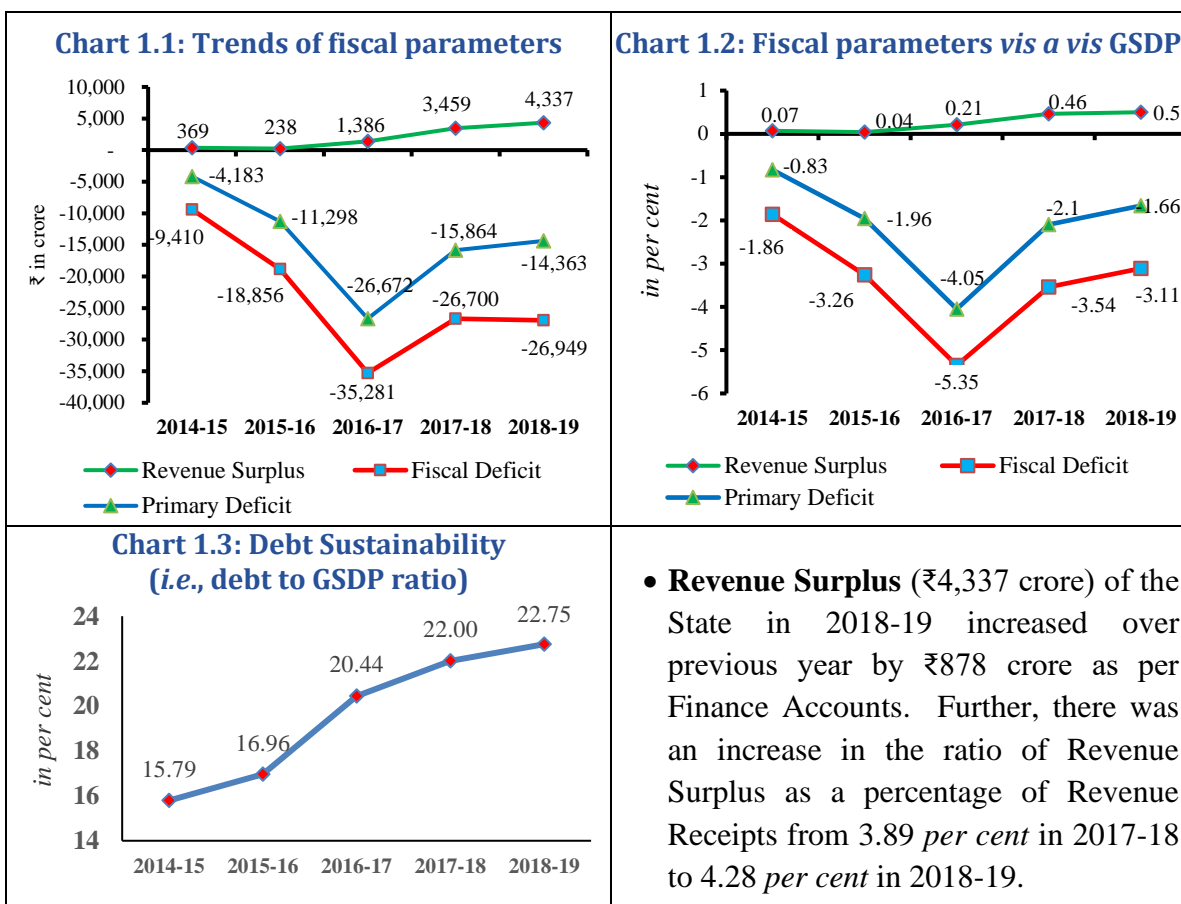
- While the GSDP at current prices was growing at a rate of more than 14 *per cent* from 2015-16 to 2018-19, the growth rates of Revenue Receipts and Revenue Expenditure was much lower in comparison to growth rate of GSDP in earlier years. However, the growth rates of both Revenue Receipts and Revenue Expenditure have risen in 2018-19 and came closer to the growth rate of GSDP.
- In comparison to 2015-16, the GSDP in 2018-19 has increased by 49.80 *per cent*, whereas the Revenue Receipts and Revenue Expenditure increased by 33.21 *per cent* and 27.91 *per cent* respectively.
- Both Revenue Receipts and Revenue Expenditure decreased marginally in 2018-19 as a *percentage* of GSDP.
- Capital Expenditure in 2018-19 has decreased in comparison to preceding year 2017-18 as well in comparison to GSDP.

⁷ Constant prices figures for Revenue Receipts, Revenue Expenditure and Capital Expenditure are arrived by using a deflator *i.e.*, ratio of GSDP at constant prices to GSDP at current prices for each year

1.3 Review of Fiscal Situation

1.3.1 Fiscal parameters

Three key fiscal parameters viz., (i) Revenue Surplus⁸ / Deficit, (ii) Fiscal Deficit⁹ and (iii) Primary Deficit¹⁰ help in assessing the fiscal situation of the Government. The way these deficits are financed assists in assessing the fiscal health of the Government. Trends in fiscal parameters (*Chart 1.1* and *Chart 1.2*) as per Finance Accounts indicate that the State's performance in 2018-19 had marginally improved over the preceding year. On the other hand, trends in Debt Sustainability *i.e.*, Debt as a percentage in GSDP has increased (*Chart 1.3*) as compared to preceding year.



- **Revenue Surplus** (₹4,337 crore) of the State in 2018-19 increased over previous year by ₹878 crore as per Finance Accounts. Further, there was an increase in the ratio of Revenue Surplus as a percentage of Revenue Receipts from 3.89 per cent in 2017-18 to 4.28 per cent in 2018-19.

Source: Finance Accounts

- **Fiscal Deficit** (₹26,949 crore), in 2018-19, has increased by ₹249 crore in comparison to preceding year (₹26,700 crore). Fiscal Deficit as a *percentage* of GSDP was 3.11 per cent, which is within the ceiling of 3.25 per cent¹¹ fixed by XIV Finance Commission and 3.5 per cent target set out in Medium Term Fiscal Policy Statement of the State Government as per FRBM Act.

⁸ Revenue Surplus = Revenue Receipts (-) Revenue Expenditure

⁹ Fiscal Deficit = Revenue Expenditure + Capital Expenditure + Net Loans and Advances (-) Revenue Receipts (-) Miscellaneous Capital Receipts

¹⁰ Primary Deficit = Fiscal Deficit (-) interest payments

¹¹ Ministry of Finance, Department of Expenditure letter No.F.No.40(6)/PF-S/2017-18, dated 11 September 2018

Fiscal Deficit position improved over previous year mainly due to decrease in Capital Expenditure by ₹1,261 crore.

- **Primary Deficit** (₹14,363 crore) in 2018-19 decreased by nine *per cent* in comparison to preceding year (₹15,864 crore). Though Primary Deficit, decreased, the non-debt receipts¹² (₹1,01,486 crore) were, however, not sufficient to meet Primary Expenditure¹³ (₹1,15,849 crore).
- As per XIV Finance Commission recommendations, the total outstanding **Debt**¹⁴ to **GSDP ratio** (in *per cent*) was to be less than 23.33 *per cent* for the year 2018-19. As per Medium Term Fiscal Policy Statement (MTFP) of the State Government, the total outstanding liabilities were to be less than 25 *per cent* of the GSDP. In 2018-19, the total outstanding liabilities (₹1,96,963 crore) of Telangana were 22.75 *per cent* of the GSDP, which is within the ceilings of both XIV Finance Commission and MTFP Statement. The outstanding liabilities, however, grew by 19 *per cent* over the previous year, indicating that the growth rate of liabilities was higher than growth rate of GSDP.

Impact on Revenue Surplus of State Government consequent to the incorrect / inadequate bookings is given in **Table 1.4**:

Table 1.4: Impact on Revenue Surplus and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Surplus	Impact on Fiscal Deficit
(i) Overstatement of Revenue Receipts		
Lapsing of loan amounts in PD accounts as Non-Tax Revenue to Government without corresponding reduction in outstanding loans given ¹⁵ (refer Box 1.1, paragraph 1.3.1)	2,300.00	--
(ii) Understatement of Revenue Expenditure		
Providing loans instead of Grants in Aid to Autonomous Bodies, which do not have own resources of serving debt, for implementation of Government schemes ¹⁶ (refer paragraph 1.6.3)	3,908.80	--
Short contribution to Guarantee Redemption Fund	188.56	188.56
Non provision of interest on Interest bearing Reserve Funds and Deposits ¹⁷	29.30	29.30

¹² Non-debt receipts = Revenue Receipts + Miscellaneous Capital receipts + Recoveries of Loans and Advances

¹³ Primary Expenditure = (Revenue Expenditure – Interest payments) + Capital Expenditure + Loans and Advances + Inter State Settlements

¹⁴ Total outstanding debt includes Public Debt and Public Account Liabilities

¹⁵ (i) Telangana State Scheduled Castes Cooperative Development Corporation Limited: ₹1,500 crore and

(ii) Telangana State Scheduled Tribes Cooperative Finance Corporation Limited: ₹800 crore

¹⁶ (i) Telangana State Scheduled Castes Cooperative Development Corporation Limited: ₹1,500 crore, (ii) Telangana State Scheduled Tribes Cooperative Finance Corporation Limited: ₹900 crore, (iii) Arogyasri Health Care Trust: ₹621.70 crore, (iv) Telangana State Sheep and Goat Development Cooperative Federation Limited: ₹493.32 crore and (v) Telangana State Civil Supplies Corporation Limited: ₹393.78 crore

¹⁷ Interest liability not provided: (i) ₹23.96 crore on Deposits (₹299.50 crore) bearing interest in Defined Contribution Pension Scheme calculated at eight *per cent* (General Provident Fund Interest Rate) and (ii) ₹5.34 crore on Reserve Funds bearing interest (State Disaster Response Fund: ₹66.71 crore) calculated at eight *per cent* (average Ways and Means Advance Rate)

Particulars	Impact on Revenue Surplus	Impact on Fiscal Deficit
(iii) Understatement of Revenue Expenditure due to misclassification		
Assistance to Local Bodies and other institutions for creation of assets under Capital in the Government accounts instead of under Revenue ¹⁸	2,622.00	--
Classification of Minor works under Capital	351.20	--
Classification of incidental charges of Rythu Bandhu programme under Capital	60.00	--
Classification of Grants-in-Aid under Capital	48.60	--
(iv) Overstatement of Revenue Expenditure		
Decretal charges on Land Acquisition for irrigation projects classified under Revenue section instead of under Capital	(-)26.49	--
Total	9,481.97	217.86

Source: Finance Accounts

As a result, the Revenue Surplus was overstated by ₹9,481.97 crore and Fiscal Deficit was understated by ₹217.86 crore. Effectively, there was a Revenue Deficit of ₹5,144.97 crore instead of Revenue Surplus and the actual Fiscal Deficit was to be ₹27,166.86 crore (3.14 per cent of GSDP).

It is to be noted that while short contribution to Statutory Funds was persistent during the past few years, the provision of loans to institutions without definite streams to service their debt is relatively a recent phenomenon.

Box 1.1: Providing loans to Autonomous Bodies, not having revenue streams for debt servicing, for implementing Government Schemes

Report of the Comptroller and Auditor General of India on Telangana State Finances for the year 2017-18 mentioned that the State Government advanced loans amounting to ₹2,300 crore to two Autonomous Bodies (ABs)¹⁹, which were implementing various programmes taken up by the State Government for the benefit of Schedule Castes and Schedule Tribes. No terms and conditions like repayment period, rate of interest, etc., were stipulated while sanctioning the loans indicating that they were indirect subsidies. Moreover, these ABs did not have any definite revenue stream to service the loan. As a result, Revenue Expenditure was understated to that extent apart from overstatement of Revenue Surplus and Outstanding Loans in that year. These amounts were in the Personal Deposit (PD) Accounts of the ABs as of 31 March 2018.

In the year 2018-19, it was observed in audit, that these amounts of (₹1,500 crore and ₹800 crore) lying in PD accounts of these two ABs lapsed and were credited to

¹⁸ (i) Mahatma Gandhi National Rural Employment Guarantee Scheme (₹1,401.38 crore), (ii) Swachh Bharat Mission – Gramin (₹1,078.33 crore), (iii) Constituency Development Fund (₹74.16 crore), (iv) Purchase of surgical consumables (₹60.50 crore) and (v) Rashtriya Madhyamika Shiksha Abhiyan (₹7.63 crore)

¹⁹ (i) Telangana State Scheduled Castes Cooperative Development Corporation Limited: ₹1,500 crore and (ii) Telangana State Scheduled Tribes Cooperative Finance Corporation Limited: ₹800 crore

Government account as Revenue Receipts without corresponding reduction in the outstanding loan amounts.

Lapsing of amounts, which had been transferred to PD accounts as loans in the preceding year, as Revenue Receipts without corresponding change in the outstanding loan amounts resulted in overstatement of both Revenue Receipts and Assets of the Government in the form of outstanding Loans to a tune of ₹2,300 crore.

On the other hand, the State Government continued with provision of loans to these two ABs in 2018-19 also by providing ₹2,400 crore²⁰, thus taking total of outstanding loans to ₹4,700 crore. The Government stated (January 2020) that it was consciously providing loans to these institutions.

It was further observed in audit that the State Government has provided such similar loans amounting to ₹1,508.80 crore in 2018-19 to three other ABs²¹, which were also implementing Government schemes.

Providing funds in the form of loans to ABs, which do not have their own revenue resources for debt servicing and were implementing Government schemes, instead of in the form of either Grants-in-Aid or Subsidies resulted in understatement of Revenue Expenditure and overstatement of Revenue Surplus.

1.3.1.1 Composition and Financing of Fiscal Deficit

Fiscal Deficit represents the total financing the State requires (predominantly by drawing on its cash and investment balances with the RBI and by borrowing) to meet the excess of Revenue and Capital Expenditure (including Loans and Advances) over Revenue and non-debt receipts. The composition and financing of fiscal deficit are given in **Table 1.5**:

Table 1.5: Components of Fiscal Deficit and their financing pattern

(₹in crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19		
		Net	Net	Net	Receipts	Disburse-ments	Net
A	Decomposition of Fiscal Deficit (1 to 4)	(-)18,856	(-)35,281	(-)26,700	1,01,486	1,28,435	(-)26,949
1	Revenue Surplus	238	1,386	3,459	1,01,420	97,083	4,337
2	Capital Expenditure	(-)13,590	(-)33,371	(-)23,902	--	22,641	(-)22,641
3	Net Loans and Advances	(-)5,145	(-)3,246	(-)6,071	66	8,706	(-)8,640
4	Interstate Settlements	(-)359	(-)50	(-)186	--	5	(-)5

²⁰ (i) Telangana State Scheduled Castes Cooperative Development Corporation Limited: ₹1,500 crore; (ii) Telangana State Scheduled Tribes Cooperative Finance Corporation Limited : ₹900 crore

²¹ (i) Arogyasri Health Care Trust: ₹621.70 crore, (ii) Telangana State Sheep and Goat Development Cooperation Federation Limited: ₹493.32 crore and (iii) Telangana State Civil Supplies Corporation Limited: ₹393.78 crore

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19		
		Net	Net	Net	Receipts	Disbursements	Net
B	Financing Pattern of Fiscal Deficit						
1	Net Borrowings	14,653	29,251	21,682	50,962	28,716	22,246
a	Market Borrowings*	13,883	29,058	21,458	50,528	27,882	22,646
b	Loans from GoI	770	193	224	434	834	(-)400
2	Net of Public Account	5,476	3,726	7,847	1,14,152	1,09,222	4,930
a	Small Savings, PF, etc.	862	1,069	976	2,427	1,582	845
b	Reserve Funds	1,126	440	278	1,598	68	1,530
c	Deposits and Advances	2,222	1,918	5,860	62,595	59,494	3,100
d	Suspense and Miscellaneous	1,405	454	(-)573	29,672	30,332	(-)660
e	Remittances	(-)139	(-)155	1,306	17,860	17,746	115
3	Contingency Fund	---	(-)0.09	---	0.09	2.10	(-)2.01
4	Total (1 to 3)	20,129	32,977	29,529	1,65,114	1,37,940	27,174
5	Increase (-) / Decrease (+) in Cash Balance	(-)1,273	2,304	(-)2,829	---	---	(-)225
6	Overall Surplus/ Deficit (4+5)	18,856	35,281	26,700	---	---	26,949

Source: Finance Accounts

* Includes borrowings from other institutions

It can be seen from the above that Capital Expenditure accounted for 84 per cent of the Fiscal Deficit, which was mainly financed by Market borrowings. This, however, needs to be viewed in the background that the State Government misclassified ₹9,508.46 crore of Revenue Expenditure as Capital Expenditure as discussed in *paragraph 1.3.1* above.

1.3.1.2 Quality of Deficit / Surplus

The bifurcation of Primary Deficit (*Table 1.6*) indicates the extent to which deficit has been on account of enhancement of Capital Expenditure, which is desirable to improve productive capacity of the Government.

Table 1.6: Primary Deficit/ Surplus – bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure ²²	Capital Expenditure	Loans and Advances and Inter-State settlements	Primary Expenditure	Primary Revenue Surplus ²³	Primary Revenue Surplus / Capital Expenditure (per cent)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8
2015-16	76,222	68,338	13,590	5,592	87,520	7,884	58.01
2016-17	82,974	72,823	33,371	3,452	1,09,646	10,151	30.42
2017-18	88,962	74,529	23,902	6,395	1,04,826	14,433	60.38
2018-19	1,01,486	84,497	22,641	8,711	1,15,849	16,989	75.04

Source: Finance Accounts

²² Primary Revenue Expenditure = Revenue Expenditure – Interest payments

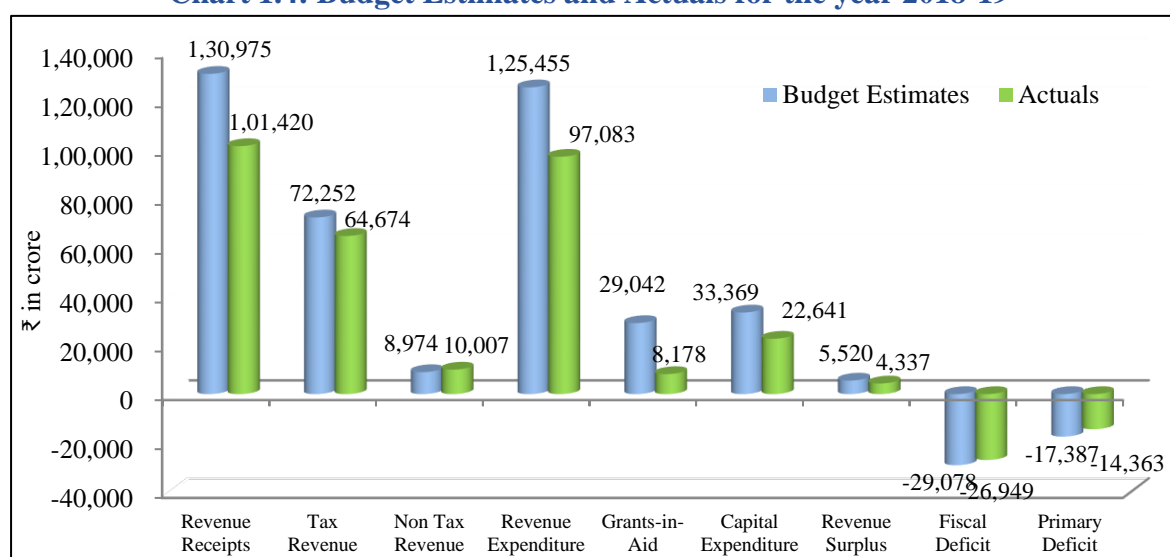
²³ Primary Revenue Surplus = Non-Debt Receipts (i.e., Revenue Receipts + Miscellaneous Capital Receipts + Recovery of Loans and Advances) – Primary Revenue Expenditure

- As can be seen from above, the non-debt receipts have not been sufficient to meet the Primary Expenditure.
- The Primary Revenue Surplus (₹16,989 crore) is equivalent to 75 per cent of the Capital Expenditure (₹22,641 crore) in 2018-19, an improvement over previous year.

1.3.2 Budget Estimates and Actuals

Changes of actual receipts and expenditure against budget estimates, either due to unanticipated and unforeseen events or under/over estimation of expenditure or revenue at the stage of budget preparation, adversely impacts the desired fiscal objectives. Significant variations were noticed between Budget Estimates and Actuals as shown in **Chart 1.4**:

Chart 1.4: Budget Estimates and Actuals for the year 2018-19



Source: Budget Estimates and Finance Accounts

It can be seen from above that the Revenue Receipts fell short of Budget Estimates (BE) by 23 per cent. Tax Revenue fell short of BE by 10 per cent mainly due to shortfall in GST (12 per cent) and Taxes on Sales, Trade, etc., (22 per cent). Shortfall in Grants-in-Aid was 72 per cent, which was mainly due to “Nil” receipts under, Grants for Special Package and additional Central Assistance (BE: ₹16,350 crore), Grants for Local Bodies (BE: ₹1,982 crore), National Employee Guarantee Fund (BE: ₹1,000 crore), Urban Rejuvenation Mission and Mission for Development of Smart Cities (₹365 crore). It is thus, necessary that a more reliable method of forecasting revenues is adopted to achieve better planning of expenditure.

- Non-Tax Revenue was higher than the BE by 11.50 per cent. The increase in Non-Tax Revenue was mainly due to increase in receipts in Mineral concession Fees, Rents and Royalties under Non-ferrous Mining and Metallurgical Industries (increase of ₹593 crore in comparison to BE of ₹3,254.06 crore), receipts from Guarantee Fees under Miscellaneous General Services (₹340 crore in comparison to BE of ‘nil’) and from lapsing of outstanding loans (₹2,300 crore in comparison to BE of ‘nil’) as discussed in **Box 1.1** (refer **Paragraph 1.3.1**).
- Revenue Expenditure was less than the BE by 22.60 per cent. The maximum shortfall in Revenue Expenditure was due to shortfall mainly under Irrigation and Flood Control

(₹7,860 crore i.e., 95 per cent) and Water Supply, Sanitation, Housing and Urban Development (₹5,858 crore i.e., 65 per cent).

- Capital Expenditure fell short of BE by 32 per cent mainly due to shortfall in General Economic Services (₹2,637 crore i.e., 79 per cent), Transport (₹1,593 crore i.e., 61 per cent), Welfare of SCs/STs/OBCs and Minorities (₹1,487 crore i.e., 71 per cent), Health and Family Welfare (₹629 crore i.e., 58 per cent) and Social Welfare and Nutrition (₹35 crore i.e., 85 per cent).
- Revenue Surplus was lower than BE by 21 per cent. Fiscal Deficit and Primary Deficit were higher than BE by seven per cent and 17 per cent respectively.

Recommendation 1: *The Finance Department should rationalise the budget preparation exercise, so that the gap between the budget estimates and actuals is minimised.*

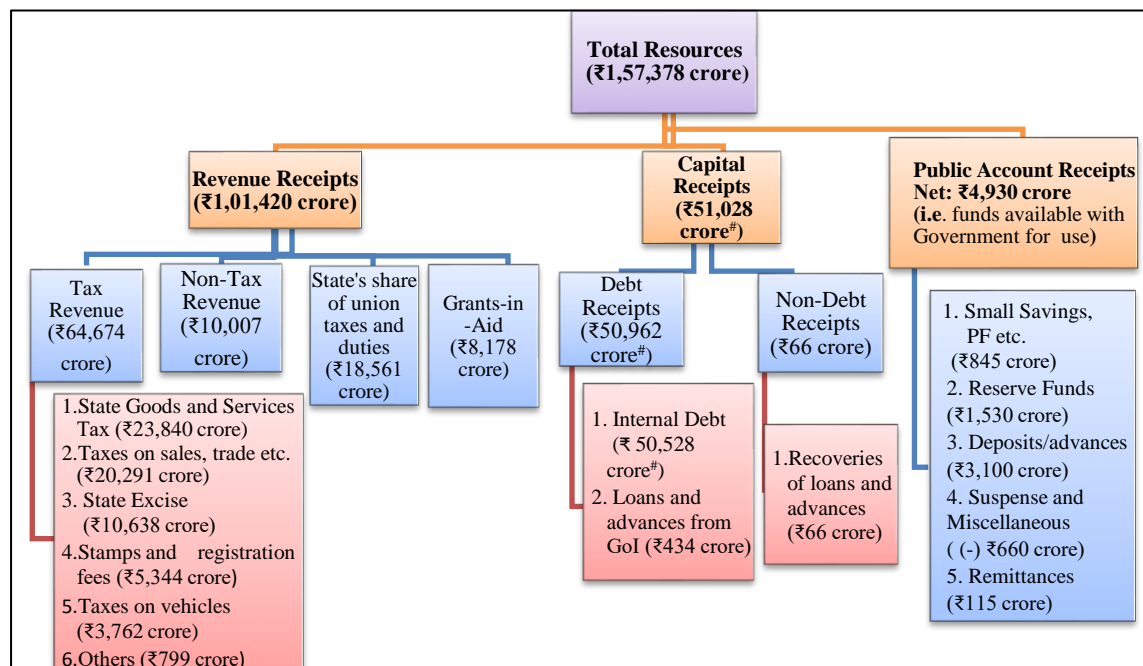
1.4 Financial Resources of the State

1.4.1 Resources of the State as per Annual Finance Accounts

Revenue Receipts consists of Tax Revenues, Non-Tax Revenues, State's share of Union taxes and duties, and Grants-in-Aid from Government of India (GoI). Receipts under Capital comprise of non-debt Capital Receipts and Debt Capital Receipts. Non-debt Capital Receipts include miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of Loans and Advances, while Debt Capital Receipts include debt receipts from internal sources (market loans, borrowings from financial institutions / commercial banks) and Loans and Advances from GoI. Public Accounts Receipts include funds available with Government for use i.e., Small Savings, Provident Fund, Reserve Funds, Deposits and Advances etc.

The overall composition of the State resources (₹1,57,378 crore) in 2018-19 is given in **Chart 1.5**.

Chart 1.5: Composition of Resources in 2018-19

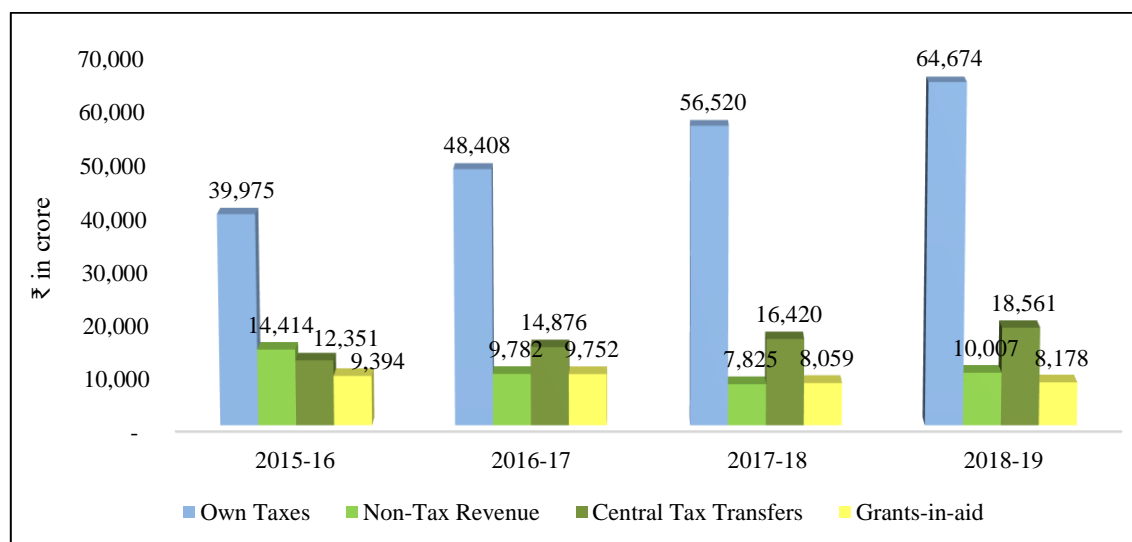


Source: Finance Accounts, # includes Ways and Means Advances of ₹21,823 crore

1.4.2 Revenue Receipts

Statement 14 of the Finance Accounts gives details of Revenue Receipts of the Government. The trends and composition of the Revenue Receipts during the years 2015-16 to 2018-19 are in **Chart 1.6**.

Chart 1.6: Composition of Revenue Receipts during the years 2015-16 to 2018-19



Source: Finance Accounts

It can be seen from the above chart that the Own Tax revenue and Central tax transfers have been increasing; whereas Non-Tax Revenue and Grants-in-Aid which saw a dip in 2017-18 were higher in 2018-19. The trends in Revenue Receipts relative to GSDP are presented in **Table 1.7**:

Table 1.7: Trends in Revenue Receipts relative to GSDP during 2014-19

Description of parameter	2014-15	2015-16	2016-17	2017-18	2018-19
Gross State Domestic Product (GSDP) (₹ in crore)	5,05,849	5,77,902	6,59,033	7,53,811	8,65,688
Rate of Growth of GSDP (in per cent)	---	14.24	14.04	14.38	14.84
Revenue Receipts (RR) (₹ in crore)	51,042	76,134	82,818	88,824	1,01,420
Rate of Growth of RR (in per cent)	---	49.16	8.78	7.25	14.18
RR/GSDP (in per cent)	10.09	13.17	12.57	11.78	11.72
State's Own Tax Revenue (OTR) (₹ in crore)	29,288	39,975	48,408	56,520	64,674
Rate of Growth of State's Own Tax Revenue (in per cent)	---	36.49	21.10	16.76	14.43
Buoyancy Ratios					
Revenue Buoyancy with respect to GSDP	---	3.45	0.63	0.50	0.96
State's Own Tax Revenue Buoyancy with respect to GSDP	---	2.56	1.50	1.17	0.97

Source: Finance Accounts and Ministry of Statistics and Programme Implementation for GSDP figures of respective years

From the table, it can be inferred that:

- Revenue buoyancy with reference to GSDP was higher in 2018-19 when compared to previous two years. However, it is still marginally less than ‘one’.
- The State’s Own Tax buoyancy with respect to GSDP was more than ‘one’ during the years 2015-16 to 2017-18. However, during 2018-19, it came down to below ‘one’, indicating less than optimum growth in Own Tax Revenue compared to the growth in GSDP.

1.4.2.1 State’s Own Resources

The State’s performance in mobilisation of resources is assessed in terms of Tax Revenue and Non-Tax Revenue, not including the State’s share in Central Taxes and Grants-in-Aid which is based on the recommendations of the Finance Commission.

State’s Own Tax Revenue

Components of State’s Own Tax Revenue are in **Table 1.8**:

Table 1.8: Components of State’s Own Tax Revenue

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	
	Actuals	Actuals	Actuals	Budget Projections	Actuals
State Goods and Services Tax	---	---	13,073	26,040	23,840
Taxes on Sales, Trade, etc.	29,847	34,235	25,107	25,942	20,291
State Excise	3,809	5,581	9,421	10,600	10,638
Taxes on Vehicles	2,309	3,394	3,590	3,950	3,762
Stamp Duty and Registration Fees	3,102	3,822	4,202	4,700	5,344
Land Revenue	104	7	4	5	0.42
Taxes on Goods and Passengers	33	11	88	---	189
Other Taxes	771	1,358	1,035	1,016	610
Total	39,975	48,408	56,520	72,253	64,674

Source: Finance Accounts

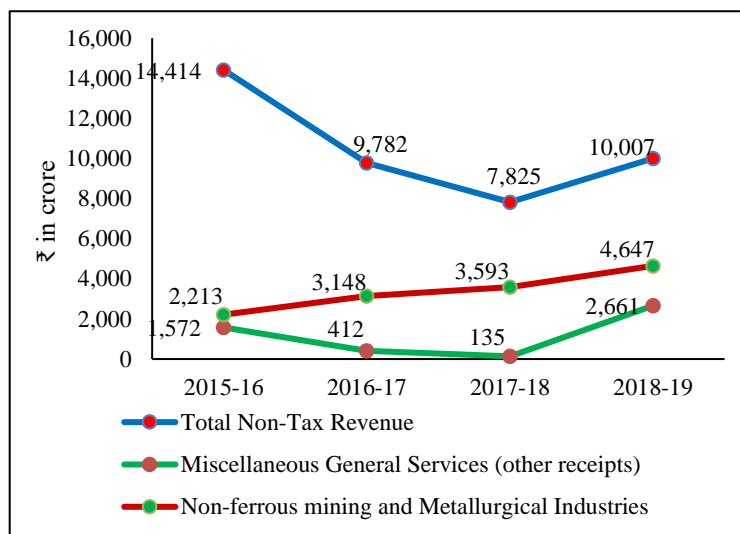
As seen from the above table, State’s Own Tax Revenue (SOTR) in 2018-19 was ₹64,674 crore and constituted 64 per cent of total Revenue Receipts. Tax Revenue grew by 14.43 per cent, at a rate marginally lower than the increase (14.84 per cent) in GSDP. The increase in State Goods and Services Tax (₹10,767 crore) was mainly due to higher receipts under ‘Input Tax Credit cross utilization of SGST and IGST’, ‘Advance apportionment from IGST’ and ‘Apportionment of IGST –Transfer-in of Tax component of SGST’.

Further, State’s Own Tax Revenue as a percentage of GSDP, which increased from 6.91 per cent in 2015-16 to 7.49 per cent in 2017-18, remained at the same level (7.47 per cent) in 2018-19 also.

Non-Tax Revenue

Non-Tax Revenue (NTR) accounts for receipts from services rendered and supplies made by various Departments of Government and interest receipts. NTR in 2018-19 was ₹10,007 crore and constituted 10 per cent of total Revenue Receipts. The increase (28 per cent) in NTR was due to increase in Other Receipts, receipts from Guarantee Fees, and receipts towards Mineral concession Fees, Rents and Royalties.

Chart 1.7: Non-Tax Revenue: 2015-16 to 2018-19



Source: Finance Accounts of years concerned

The following was observed in audit:

- There was a huge increase of 1,864 per cent under Other Receipts (₹2,660.71 crore) in 2018-19 as against ₹135.45 crore in 2017-18. This was mainly due to lapsing of amounts lying unutilised in PD accounts for more than one year, and includes ₹1,500 crore and ₹800 crore provided as loans in 2017-18 to Telangana State Scheduled Castes Development Corporation Limited and Telangana State Scheduled Tribes Cooperative Finance Corporation Limited (refer **Paragraph 1.3.1**).
- Revenue (₹4,646.94 crore) under the Non-ferrous Mining and Metallurgical Industries increased by 29 per cent during 2018-19 over the previous year (₹3,592.51 crore). Royalty from both, Major and Minor minerals increased considerably from ₹2,047 crore in 2017-18 to ₹2,483 crore in 2018-19 (21 per cent increase) and from ₹801 crore in 2017-18 to ₹1,339 crore in 2018-19 (67 per cent increase) respectively for Major and Minor minerals.
- Guarantee commission of ₹340 crore was received under Miscellaneous General Services from Telangana State Water Resources Infrastructure Development Corporation Limited for Guarantee given by the Government.

1.4.2.2 Efficiency in Tax collection

The efficiency in collection (measured in terms of cost of collection as a percentage of the Gross Revenue collection) of major taxes of the State remained almost constant compared to previous year (**Table 1.9**) in respect of Taxes on Vehicles, Stamps and Registration Fees, while there was improvement in the efficiency in respect of Taxes on Sales, Trade etc, State Goods and Services Tax and State Excise.

Table 1.9: Tax collected and cost of collection

		2015-16	2016-17	2017-18	2018-19
Taxes on Sales, Trade, etc., and SGST	Gross Revenue collection (₹ in crore)	29,847	34,235	40,068	44,130
	Cost of Collection (₹ in crore)	210	228	217	196
	<i>Percentage to Gross collection</i>	<i>0.70</i>	<i>0.67</i>	<i>0.54</i>	<i>0.44</i>
State Excise	Gross Revenue collection (₹ in crore)	3,809	5,581	9,421	10,638
	Cost of Collection (₹ in crore)	206	216	226	233
	<i>Percentage to Gross collection</i>	<i>5.41</i>	<i>3.87</i>	<i>2.40</i>	<i>2.19</i>
Taxes on Vehicles	Gross Revenue collection (₹ in crore)	2,309	3,394	3,589	3,762
	Cost of Collection (₹ in crore)	80	74	76	79
	<i>Percentage to Gross collection</i>	<i>3.46</i>	<i>2.18</i>	<i>2.12</i>	<i>2.10</i>
Stamps and Registration Fees	Gross Revenue collection (₹ in crore)	3,102	3,822	4,202	5,344
	Cost of Collection (₹ in crore)	62	68	69	89
	<i>Percentage to Gross collection</i>	<i>2.00</i>	<i>1.78</i>	<i>1.64</i>	<i>1.67</i>

Source: Finance Accounts

1.4.2.3 Goods and Services Tax (GST)

The State Government implemented Telangana Goods and Services Tax (TGST) Act with effect from 01 July 2017. The GST has four components viz., (i) GST receipts by the Centre (i.e., Central GST or CGST); (ii) GST receipts by the State (i.e., State GST or SGST); (iii) Integrated GST (IGST)²⁴, a tax on inter-State supply of Goods or Services or both by the Central Government and (iv) GST Compensation Cess²⁵. SGST is levied on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products²⁶).

- (i) **CGST:** The State received ₹4,580.66 crore as share of net proceeds assigned to States under CGST during the year 2018-19.
- (ii) **SGST:** The receipts of the State through SGST was ₹23,840.18 crore²⁷.
- (iii) **IGST:** Telangana State received ₹36.56 crore per month as IGST for 10 months in 2018-19 up to January 2019 totalling to ₹365.50 crore. IGST for the months of February 2019 and March 2019 was not received.
- (iv) **GST Compensation:** According to GST (Compensation to the States) Act, 2017, the Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The Compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. The projected revenue for any year of a State shall be calculated by applying the projected growth rate of (14 per cent per annum) over the base year (2015-16) revenue of the State.

²⁴ in respect of inter-State supply of Goods and Services, Integrated GST (IGST) is levied and collected by Government of India (GoI). The IGST so collected is apportioned between the Centre and the State where Goods and Services are consumed

²⁵ as per GST Compensation Cess Act, GST Compensation Cess is paid by GoI for a period of five years to the State in case the share of a State falls short of the revenue earned in the pre-GST regime

²⁶ Petroleum crude, High speed diesel, Motor spirit (Petrol), Natural gas and Aviation turbine fuel

²⁷ Includes (i) ₹20,912.60 crore as SGST, (ii) ₹1,873.47 crore as advance apportionment of IGST and (iii) ₹1,054.05 crore as apportionment of IGST-Transfer-in of Tax Component to SGST

The compensation was to be paid by GoI and to be received by the State considering the base figure of revenue of a State for the year 2015-16, escalated by 14 *per cent* per annum for the five years commencing from 01 July 2017. In case of Telangana, the revenue in the base year (2015-16) was ₹16,109 crore. Accordingly, Protected Revenue for the year 2018-19 was ₹23,866.19 crore²⁸.

The State received ₹23,840.18 crore as SGST and ₹1,073.30 crore as pre-GST tax collected during the year. Thus, the total amount received was ₹24,913.48 crore. As the collection of the State under SGST and taxes subsumed under SGST were more than the protected revenues for the year 2018-19, no GST Compensation was to be received.

With automation of collection of GST having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

1.4.2.4 State's share of Union Taxes

The different components of States share of Union Taxes during years 2015-16 to 2018-19 is given in **Table 1.10**, along with XIV Finance Commission projections for 2018-19 at a rate of 2.44 *per cent* of net proceeds of shareable Union Taxes and Duties.

Table 1.10: Different components of State's share of Union Taxes

(₹ in crore)

Component of State's share of Union taxes	2015-16	2016-17	2017-18	14 FC Projections for 2018-19	2018-19
Corporation Tax	3,870	4,763	5,027	5,393	6,454
Customs	1,979	2,049	1,657	946	1,315
Income Tax	2,675	3,310	4,245	4,772	4,753
Other Taxes and Duties on commodities and services	11	0	0	0	10
Service Tax	2,153	2,404	1,872	0	172
Wealth Tax	1	10	0	(-) 0.17	2
Union Excise Duties	1,662	2,340	1,731	922	874
CGST	NA	NA	231	6,181	4,581
IGST	NA	NA	1,657	512	366
Other Taxes on Income and Expenditure	0	0	0	0	34
Grand total	12,351	14,876	16,420	18,726	18,561
Devolution as <i>percentage</i> of Revenue Receipts of the State	16.22	17.96	18.49	--	18.30

Source: Finance Accounts

NA: Not applicable due to implementation of GST Act with effect from 1 July 2017

²⁸ Calculated at compounding increase of 14 *per cent* per annum for three years viz., 2016-17, 2017-18 and 2018-19 from the base year revenue of ₹16,109 crore (*i.e.*, ₹16,109 x 1.14 x 1.14 x 1.14 = ₹23,866.19 crore)

As seen from the above table, the devolution as a *percentage* of Revenue Receipts of the State has marginally decreased compared to preceding year. The devolution including Service Tax for 2018-19 is marginally less than the XIV Finance Commission projections of ₹18,726 crore. The higher devolutions in respect of Corporation Tax and Customs than the projections of XIV Finance Commission were undermined by lower receipts on account of devolution of CGST.

1.4.2.5 Grants-in-Aid from Government of India

The details of Grants-in-Aid and its composition during the years 2015-16 to 2018-19 are in **Table 1.11**.

Table 1.11: Grants-in-Aid from Government of India

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	
	Actuals	Actuals	Actuals	BE	Actuals
Non-Plan Grants	2,978	3,057	---	18,770	---
Grants for Centrally Assisted State Plan Schemes	6,416	6,695	---	10,272	---
Grants for Central and Centrally sponsored Plan Schemes	---	---	6,108	---	5,508
Finance Commission Grants	---	---	1,168	---	1,806
Other Transfers/Grants to States	---	---	783	---	864
Total	9,394	9,752	8,059	29,042	8,178
Total Grants as a <i>percentage</i> of Revenue Receipts	12.34	11.78	9.07	22.17	8.06

Source: Finance Accounts; BE: Budget Estimates

It can be seen from above that the Government of Telangana State (GoTS) was receiving less than ₹10,000 crore from GoI as Grants-in-Aid (GIA) during past few years. The GoTS, however, had estimated ₹29,042 crore as GIA receipts for 2018-19. The GIA actually received (₹8,178 crore), though marginally higher than the preceding year (₹8,059 crore) by 1.5 *per cent*, proved that the Budget Estimates were much higher than the trend of GIA receipts in recent years.

Recommendation 2: Receipts from Government of India as Grants-in-Aid may be estimated on a realistic basis keeping in view the actual receipts in the recent past.

1.4.2.6 Transfers of funds directly to implementing agencies without routing through Consolidated Fund of the State

With effect from 01 April 2014, it has been decided by Government of India (GoI) to release all assistance related to the Centrally Sponsored Schemes/Additional Central Assistances to the State Government and not directly to implementing agencies. During 2018-19, however, the GoI released ₹9,795 crore directly to the implementing agencies for National Rural Employment Guarantee Scheme (₹6,376 crore), Food Subsidy (₹2,559 crore), *etc.*, as shown in Appendix-VI of Finance Accounts 2018-19. Similar direct releases to implementing agencies had happened in 2017-18 (₹9,740.78 crore), 2016-17 (₹887.96 crore) and 2015-16 (₹858.38 crore) also.

1.4.3 Receipts under the Capital Section

The details of Capital Receipts and their composition for the years 2015-16 to 2018-19 are in **Table 1.12**:

Table 1.12: Composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	
	Actuals	Actuals	Actuals	BE	Actuals
Capital Receipts (CR)	17,586	44,975	49,291	41,007	51,028
Recovery of Loans and Advances	88	156	138	7,807	66
Public Debt Receipts [#]	17,498	44,819	49,153	33,200	50,962

Source: Finance Accounts

[#]includes Ways and Means Advances of ₹12,088 crore, ₹22,922 crore and ₹21,823 crore for 2016-17, 2017-18 and 2018-19 respectively.

As seen from above, Public debt receipts constituted major component of Capital Receipts (99.87 per cent).

1.4.3.1 Public Account Receipts and Disbursements

As per para 1.7 of Budget Manual, Receipts and disbursements in respect of transactions such as Small Savings, Provident Fund, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up as per Article 266 (2) of the Constitution. These are not subject to vote by State Legislature. Government acts as banker or trustee. The balance after disbursements is the fund available with the Government for its use. Composition of Public Account receipts and disbursements is detailed in **Table 1.13**:

Table.1.13: Composition of Public Account Receipts and Disbursements

(₹ in crore)

Particulars	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19	
				Budget Estimates	Actuals
A. Public Account Receipts					
Small Savings, Provident Fund, etc.	2,101	2,417	2,495	2,500	2,427
Reserve Fund	1,788	1,292	831	15,874	1,598
Deposits and Advances	39,840	43,378	54,048	51,392	62,595
Suspense and Miscellaneous	26,458	39,369	28,582	---	29,672
Remittances	16,198	22,638	20,555	---	17,860
Total (A)	86,385	1,09,094	1,06,511	69,766	1,14,152
B. Public Account Disbursements					
Small Savings, Provident Fund etc.	1,239	1,348	1,519	1,400	1,582
Reserve Fund	662	852	553	15,653	68
Deposits and Advances	37,619	41,460	48,188	50,213	59,494
Suspense and Miscellaneous	25,053	38,915	29,155	---	30,332
Remittances	16,336	22,793	19,249	---	17,746
Total (B)	80,909	1,05,368	98,664	67,266	1,09,222
Public Account Net (A) - (B)	5,476	3,726	7,847	2,500	4,930

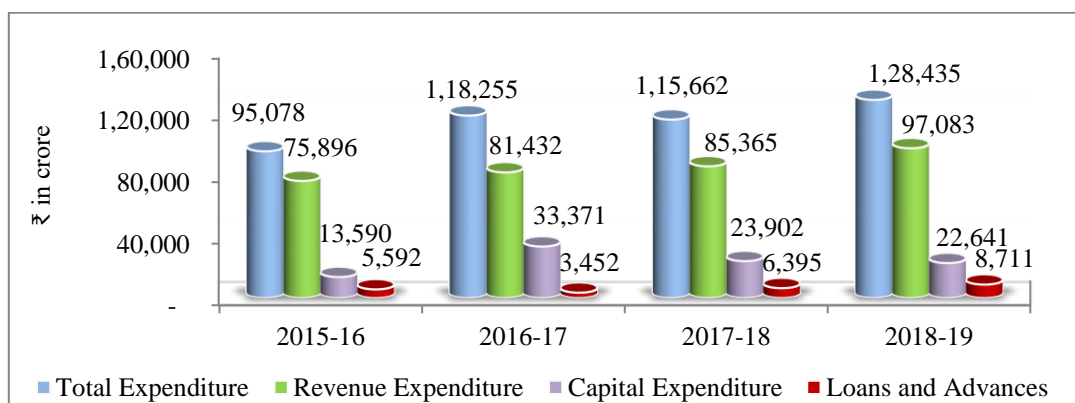
Source: Finance Accounts

1.5 Application of Resources

1.5.1 Growth and Composition of expenditure

The total expenditure in 2018-19 was ₹1,28,435 crore. **Chart 1.8** presents the trends and composition of total expenditure during 2015-16 to 2018-19.

Chart 1.8: Composition and Growth of expenditure during last four years



Source: Finance Accounts

Capital Expenditure, which was 21 per cent of total expenditure in 2017-18, has decreased to 18 per cent in 2018-19. On the other hand, the Revenue Expenditure increased from 74 per cent in 2017-18 to 76 per cent in 2018-19. The increase in Revenue Expenditure was mainly due to commencement of Investment Support Scheme (Rythu Bandhu) in 2018-19 on which ₹9,969.07 crore was spent.

From the sector wise perspective, Social Services²⁹ got preference with 40.45 per cent of the total expenditure over Economic Services³⁰ (32.33 per cent) and General Services (27.17 per cent) indicating prioritisation of Welfare. Component-wise major expenditures under different sectors in Revenue and Capital sections incurred in 2018-19 is given in **Table 1.14**:

Table 1.14: Major expenditure components under Revenue and Capital

Revenue				Capital			
Component	Sector	2017-18 (₹ in crore)	2018-19 (₹ in crore)	Component	Sector	2017-18 (₹ in crore)	2018-19 (₹ in crore)
Agriculture and Allied Activities	Economic	6,560	12,601	Irrigation and Flood Control	Economic	12,596	9,118
Education ³¹ , Sports, Art and Culture	Social	12,246	11,503	Water Supply, Sanitation, Housing and Urban Development	Social	1,873	4,253

²⁹ refers to welfare activities of the Government and includes (i) Education, Sports, Art and Culture, (ii) Health and Family Welfare, (iii) Water Supply, Sanitation, Housing and Urban Development, (iv) Information and Broadcasting, (v) Welfare of Scheduled Castes, Scheduled Tribes and Backward Classes, (vi) Labour and Labour Welfare, (vii) Social Welfare and Nutrition and (viii) Others

³⁰ refers to economic development activity sectors of the Government and includes (i) Agriculture and allied services, (ii) Irrigation and Flood Control, (iii) Energy, (iv) Industry and Minerals, (v) Transport, (vi) Science Technology and Environment, (vii) Rural Development and (viii) General Economic Services

³¹ includes General Education: ₹10,939 crore and Technical Education: ₹329 crore for 2018-19

Revenue				Capital			
Component	Sector	2017-18 (₹ in crore)	2018-19 (₹ in crore)	Component	Sector	2017-18 (₹ in crore)	2018-19 (₹ in crore)
Social Welfare and Nutrition	Social	8,864	10,709	Energy	Economic	2,721	2,400
Welfare of SCs, STs, OBCs and Minorities	Social	7,862	8,822	Rural Development	Economic	858	1,996
Energy	Economic	4,391	4,983	Transport	Economic	2,169	1,024
Health and Family Welfare	Social	4,768	4,912	Agriculture and Allied Activities	Economic	514	1,012
Water Supply, Sanitation, Housing and Urban Development	Social	2,964	3,220				
Rural Development	Economic	3,790	2,857				

Source: Finance Accounts

- Revenue Expenditure (₹97,083 crore) was higher than the preceding year's figures (₹85,365 crore) by 14 per cent. The increase over previous year was mainly due to higher outgo on Agriculture and Allied Activities (increase of ₹6,041 crore) including Investment Support Scheme Rythu Bandhu, Social Welfare and Nutrition (increase of ₹1,845 crore) and Welfare of SCs, STs, OBCs and Minorities (increase of ₹960 crore). Expenditure on Rural Development decreased as compared to previous year owing to less expenditure on schemes under Special Component Plan for Scheduled Castes (decrease of ₹158 crore), Tribal Area Sub-Plan (decrease of ₹131 crore) and Other Expenditure (decrease of ₹592 crore).
- Capital Expenditure during current year (₹22,641 crore) marginally decreased over preceding year (₹23,902 crore) by five per cent. This was mainly due to decrease under Irrigation and Flood Control (₹3,478 crore), Transport (₹1,145 crore) and Energy (₹321 crore).

Decrease under Irrigation and Flood Control was mainly due to less expenditure on Kaleshwaram Project (₹3,037 crore), Flood Flow Canal Project (₹600 crore), J. Chokka Rao Devadula Lift Irrigation Scheme (₹419 crore).

The Capital Expenditure, however, was much higher in Water Supply, Sanitation, Housing and Urban Development on account of increase in expenditure on Mission Bhagiratha (₹1,917 crore), Swachh Bharath Mission–Gramin (₹1,078 crore), and in Rural Development on account of Mahatma Gandhi National Rural Employment Guarantee Scheme (₹1,401 crore).

- Out of the total Development Expenditure³² (₹93,483 crore), 67 per cent was under Revenue section.

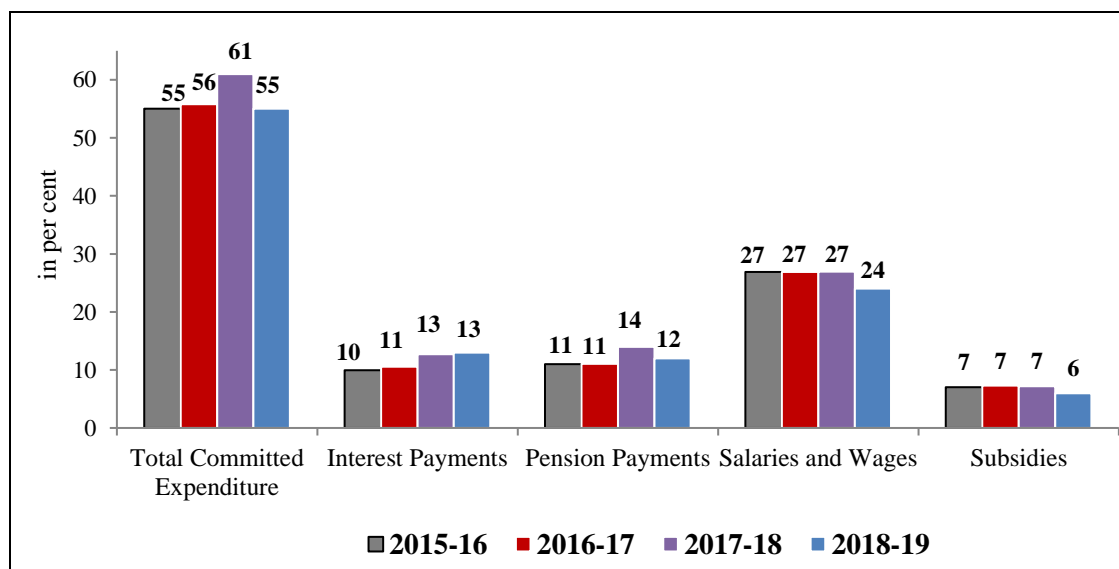
³² Development Expenditure is the expenditure incurred on Social and Economic Services. It includes Developmental Capital Expenditure (₹21,938 crore), Developmental Revenue Expenditure (₹62,879 crore) and Development Loans and Advances (₹8,666 crore)

1.5.2 Revenue Expenditure

1.5.2.1 Committed Expenditure

Committed expenditure of Government consists of interest payments (₹12,586 crore), salaries and wages (₹23,351 crore), pensions (₹11,477 crore) and subsidies (₹6,304 crore). The committed expenditure in 2018-19 was ₹53,718 crore and constituted 55 per cent of Revenue Expenditure (*Chart 1.9*).

Chart 1.9: Committed Expenditure as percentage of Revenue Expenditure



Source: Finance Accounts of years concerned

The following observations were made in audit:

- The burden of committed expenditure measured as a *percentage* of Revenue Expenditure of the State, which was steadily rising during the previous years has declined in 2018-19 (*Chart 1.9*).
- In comparison to preceding year, there was increase in interest payments (₹12,586 crore: increase by 16 per cent over 2017-18), Subsidies (₹6,304 crore: increase by two per cent over 2017-18) and Salaries and Wages (₹23,351 crore: increase by 1.5 per cent). Pension Payments (₹11,477 crore), on the other hand, decreased by four per cent.
- **Greater reliance on market borrowings by Government in recent years has led to increase in liabilities on account of interest payments. As a result, the interest payments relative to Revenue Receipts were much higher at 12.41 per cent as against target of 8.37 per cent fixed by XIV Finance Commission.**

1.5.2.2 Committed Expenditure – Subsidies

Details of Subsidies for various Departments are shown in **Table 1.15**:

Table 1.15: Department-wise Subsidies

(₹ in crore)

Sl. No.	Department	2017-18	2018-19
1	Power	3,262	3,705
2	Civil Supplies	1,181	1,432
3	Social Welfare	828	680
4	Agricultural and other allied activities	304	108
5	Tribal Welfare	267	215
6	Roads, Buildings and Ports	260	130
7	Others	57	34
Total		6,159	6,304
Revenue Expenditure		85,365	97,083

Source: Finance Accounts

It can be seen from above that Subsidies for Power and Civil Supplies increased in 2018-19 over preceding year by ₹443 crore and ₹251 crore respectively. Together Power (59 per cent) and Civil Supplies (22 per cent) constitute 81 per cent of the Subsidies. On the other hand, Subsidies of Social Welfare, Tribal Welfare, Transport, Agriculture and allied activities saw a decline in 2018-19. The decrease of Subsidies on Agriculture and allied activities is substantial (64 per cent) on account of decreased Subsidies in respect of Farm Mechanisation and Supply of Seeds.

Further, the Government incurred expenditure as ‘Grants-in-Aid’ and ‘Other expenditure’ which are in the nature of Subsidies like (i) interest free loans to DWCRA Women (Vaddileni Runalu) (₹1,402 crore), (ii) assistance to Transmission Corporation of Telangana Limited, for Agricultural and allied subsidy (₹1,256 crore), (iii) assistance to Municipalities / Corporations for interest free loans (Vaddileni Runalu) (₹166 crore), (iv) marginal subsidy to Telangana State Scheduled Castes Co-operative Development Corporation (₹46 crore), (v) power subsidy for industries (₹19 crore), etc. Though, these are in the nature of subsidies, they are however, not reflected as subsidies and the committed expenditure is understated to that extent.

Box 1.2: Implementation of a subsidy scheme through funds mobilised in the nature of Off-Budget Borrowings

Government of Telangana State (GoTS) has taken up a scheme for distribution of four lakh Sheep units at an estimated cost of ₹5,000 crore in three years from 2016-17 to 2018-19 to four lakh beneficiaries. The objectives were to (i) increase the Rural Economy in the State through Sheep rearing; (ii) make the State self-sufficient in Meat Production and export of meat to other states and countries and (iii) to strengthen the Primary Sheep Cooperative Societies.

An Autonomous Body viz., Telangana State Sheep and Goat Development Cooperative Federation Limited (TSSGDCFL) was the Nodal agency for implementing the Scheme. National Cooperative Development Corporation (NCDC) was to finance the scheme with 60 per cent (₹3,000 crore) as loan to TSSGDCFL, 20 per cent (₹1,000 crore) as subsidy

subject to availability. The remaining 20 per cent (₹1,000 crore) was to be the contribution from beneficiaries. As of March 2019, a total loan of ₹3,380 crore³³ was drawn by TSSGDCFL from NCDC. The scheme's funding pattern for the beneficiary through TSSGDCFL was modified by the GoTS as 75 per cent subsidy (₹3,750 crore) by the State Government and 25 per cent by the beneficiary contribution (₹1,250 crore).

The loans from NCDC to TSSGDCFL were guaranteed by Government of Telangana State (GoTS) i.e., in case of default by TSSGDCFL, the Government would repay any amounts due to NCDC. The total amount of guarantees provided by GoTS to TSSGDCFL to the end of 2018-19 was ₹3,160 crore.

It was, however, observed in audit that the TSSGDCFL did not have any definite stream of revenue resources of its own for repayment of loan. It was, in fact, implementing the scheme for which Government decided to provide subsidies. In the year 2018-19, the Government provided an amount of ₹493.32 crore, *albeit*, as Loans to TSSGDCFL for payment of interest (₹267.61 crore) and repayment of principal (₹225.71 crore) to NCDC.

Thus, it is evident that the State Government was implementing the subsidy scheme through Off – Budget Borrowings i.e., loans procured by an Autonomous body. The fact of implementing the scheme through Off-Budget Borrowing was also mentioned in the Budget speech.

Implementation of a subsidy scheme in the nature of Off-Budget Borrowings resulted in understatement of Revenue Expenditure.

1.5.2.3 Financial assistance to Local Bodies

Financial assistance to the tune of ₹37,908 crore was provided by the State Government to local bodies and other institutions by way of Grants and Loans in 2018-19 (**Table 1.16**). There was an increase in the overall quantum of assistance in comparison to previous year (₹30,416 crore) mainly due to increase in assistance to Agriculture and allied activities (141 per cent), Urban Local Bodies (93 per cent) and Social Welfare (30 per cent).

Under Agriculture and allied activities, increase is mainly due to provision of Grants under two new schemes viz., Investment Support Scheme (₹9,969 crore) and Insurance to Farmers (₹659 crore). In Urban Local Bodies increase is mainly under Pradhan Mantri Awas Yojana (Urban) (₹183 crore) and Hyderabad Road Development Scheme (₹277 crore). Increase in Social Welfare is mainly under Interest free loans to DWCRA Women (₹1,377 crore).

³³ ₹2,500 crore in 2017-18 and ₹880 crore in 2018-19

Table 1.16: Financial Assistance to Local Bodies and other institutions

(₹ in crore)

Sl. No.	Grants given to	2017-18	2018-19
1	Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,000	1,037
2	Urban Local Bodies	798	1,542
3	Panchayat Raj Institutions	6,376	5,996
4	Development Agencies	291	236
5	Other Autonomous Bodies	1,093	1,220
6	Co-operative Institutions	56	229
7	Agriculture and allied activities	4,614	11,165
8	Social Welfare	5,177	6,738
9	Rural Development	1,514	1,751
10	Other Institutions	9,497	7,994
Total		30,416	37,908
Assistance as percentage of Revenue Expenditure		36	39

Source: Finance Accounts

Box 1.3: Formation of State Finance Commission

As stipulated in Article 243-I (1) read with 243Y (1) of the Constitution, the Governor of the State shall constitute a State Finance Commission within the period of one year from 73rd amendment of the Indian Constitution (1992) and at the end of every five years thereafter to review financial position of Panchayat Raj Institutions (PRI) and Urban Local Bodies (ULB) of the State and to recommend principles for distribution of divisible pool of levies of the State between State and PRI / ULB.

Though constitution of the State Finance Commission was notified in March 2015, within one year of formation of the Telangana State, the Chairman and member were appointed only in January 2018.

There after no progress was on records regarding recommendations of the State Finance Commission.

1.5.2.4 National Pension System

State Government employees recruited on or after 01 September 2004 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. It is mandatory for employees to contribute 10 *per cent* of basic pay and dearness allowance every month. The State Government has to make equal contribution. The Government has to transfer these contribution amounts along with details to the National Securities Depository Limited (NSDL) and to the fund managers appointed by the NPS Trust, respectively.

On the bifurcation of the erstwhile combined State of Andhra Pradesh in 2014, a balance of ₹730.64 crore was available in the NPS Deposit Account of the combined Andhra Pradesh State, pending transfer to NSDL. This amount was to be apportioned between the States of Andhra Pradesh and Telangana. Of this amount, ₹365.21 crore was apportioned

in 2018-19, with Telangana State being allocated ₹134.60 crore, leaving an amount of ₹365.43 crore pending apportionment.

Details of contributions by employees and Government and transfers to NSDL are shown below in **Table 1.17**:

Table 1.17: Details of Contribution to NPS Deposit Account and transfer to NSDL

(₹ in crore)

Year	Employee contribution	Government contribution	Excess (+) / Shortfall (-) in Government contribution	Total contributions in the NPS Deposit Account *	Transferred to NSDL during the year	Closing Balance as on 31 st March in Pension Deposit Account
1	2	3	4 (=3-2)	5 (=3+2)	6	7
2014-15	197.66	177.65	(-)20.01	375.31	373.66	10.03
2015-16	359.16	371.23	12.07	730.39	769.56	(-)20.83
2016-17	420.14	348.23	(-)71.91	768.37	574.79	177.12
2017-18	481.61	431.74	(-)49.87	913.35	926.89	164.90
2018-19	532.62	604.84	72.22	1,137.46	1,171.58	273.57
Total	1,991.19	1,933.69	(-)57.50			

Source: Finance Accounts

*This amount does not include interest on legacy period and Foreign employers' contribution

As on 01 April 2018, the NPS Deposit Account under Defined Contribution Pension Scheme for Government Employees (Major Head of Account- 8342, Minor Head of Account - 117) had an opening balance of ₹164.90 crore. Receipts to the NPS Deposit Account during the year were Employee contribution (₹532.62 crore), the Government contribution (₹604.84 crore), Interest contribution for legacy period³⁴ (₹6.95 crore) and Foreign employers' contribution (₹1.23 crore). The apportionment amount of ₹134.60 crore was also received in the NPS Deposit Account. Of the total receipts of ₹1,445.14 crore (inclusive of all receipts, apportionment amount and opening balance) the Government transferred an amount of ₹1,171.58 crore to NSDL, leaving a closing balance of ₹273.57 crore in the NPS Deposit Account.

The interest liability on the opening balance of ₹164.90 crore was ₹13.19 crore (calculated at a rate of eight *per cent*³⁵), for which the Government did not make any provision. Further, interest will also be due on the amount to be apportioned to Telangana out of the ₹365.43 crore which is pending apportionment.

As Accountant General (Accounts and Entitlements) does not maintain the accounts of individual employee's contribution, the correctness of recovery from the employee's salary bills cannot be verified. No reconciliation of the amounts transferred has been carried out with NSDL/ Trustee Bank.

As per provisions of the NPS, the Government has to match the contribution of the Employees. As seen from the table above, over a period of five years, Employees

³⁴ Pertains to the period from September 2004 to March 2011

³⁵ Interest rate on General Provident Fund (State Government)

contributed an amount of ₹1,991.19 crore to the NPS Deposit Account, while the Government contributed an amount of ₹1,933.69 crore to the NPS Deposit Account, resulting in an overall short contribution of ₹57.50 crore by the Government. Thus, the current liability stands deferred to future years.

Further, the State Government has created an interest liability on the amount of ₹331.07 crore (which is the total of ₹273.57 crore, the amount not transferred to NSDL and ₹57.50 crore, the overall short contribution by the Government over five years), incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the employees affected / avoidable financial liability to Government in future, and, thus leading to possible failure of the scheme itself.

1.5.3 Capital Expenditure

Capital Expenditure (₹22,641 crore) saw a dip in 2018-19 *i.e.*, a decrease of ₹1,261 crore (5.27 *per cent*) from the preceding year (₹23,902 crore). The decrease was mainly under Major Irrigation (₹3,166 crore), Roads and Bridges (₹1,145 crore) and Special Development for Welfare and Development activities (₹828 crore). On the other hand, the Capital Expenditure booked under Mission Bhagiratha during 2018-19 increased by ₹1,918 crore which is 375 *per cent* higher than previous year.

- Out of Capital Expenditure of ₹22,641 crore during the year 2018-19, an expenditure of ₹4,756 crore was incurred on 20 delayed incomplete projects (please refer *Paragraph 1.6.1* for further details).
- The entire investment of ₹3,389 crore made by the Government during the year was in 11 companies, none of which has paid any dividend during the year indicating that the Government investments were in the loss making units in 2018-19 (please refer *Paragraph 1.6.2* for further details).

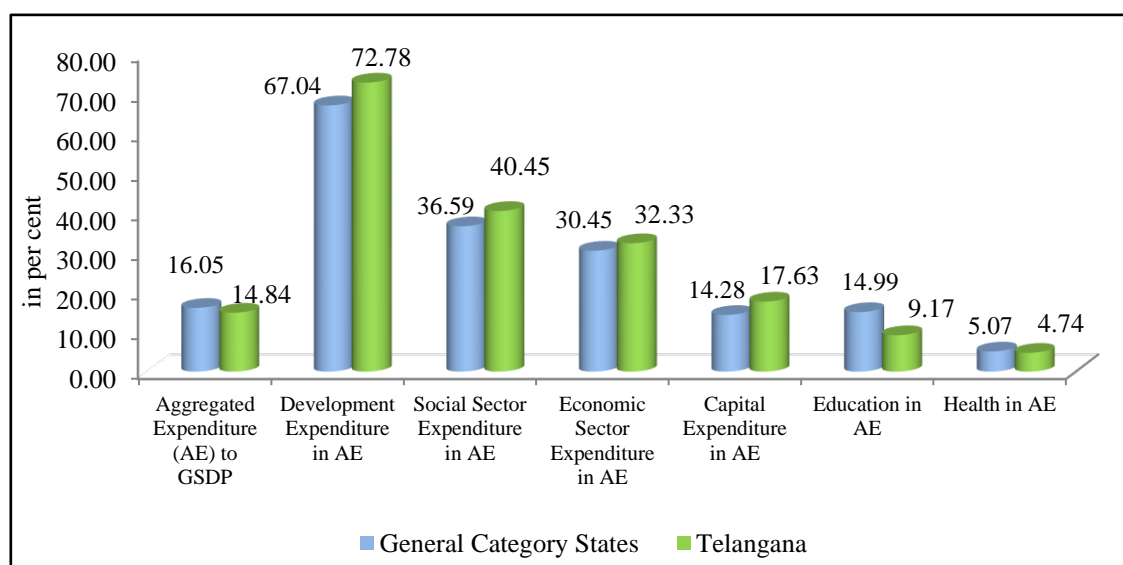
1.5.4 Quality of Expenditure

Quality of expenditure basically involves two aspects, *viz.*, adequacy of the expenditure (*i.e.*, adequate provisions for providing public services) and efficiency of expenditure use.

1.5.4.1 Adequacy of public expenditure

A comparison of fiscal priority of Telangana Government with other General Category States³⁶ (*Chart 1.10*) revealed that Telangana focussed more on Development Expenditure (₹93,483 crore) and Capital Expenditure (₹22,641 crore). The focus of Government on Education was comparatively lesser across the years.

³⁶ Undivided Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal

Chart 1.10: Prioritisation in public expenditure in percentage

Source: Finance Accounts

1.5.4.2 Per Capita expenditure in some major socio economic sectors

Per Capita expenditure for 2018-19 of Telangana in some major socio economic sectors and its comparison with the previous year 2017-18 is given in the **Table 1.18** below:

Table 1.18: Per Capita expenditure on some major socio economic sectors

Sector	2017-18			2018-19			Percentage increase (+) / decrease (-)
	Expenditure (₹ in crore)	Population of the State (in crore)	Per capita expenditure (in ₹)	Expenditure (₹ in crore)	Population of the State (in crore)	Per capita expenditure (in ₹)	
Health and Family Welfare	5,306	3.70	1,434	5,997	3.72	1,612	12.41
Education, Sports, Arts & Culture	12,492	3.70	3,377	11,782	3.72	3,167	(-)6.19
Agriculture	7,135	3.70	1,928	14,187	3.72	3,814	97.82
Rural Development	4,648	3.70	1,256	4,853	3.72	1,305	3.90
Transport	3,075	3.70	831	2,649	3.72	712	(-)14.32

Source: Expenditure figures from Finance Accounts of respective years and population figures from National Commission on Population 2019

From the above table the following can be observed:

- Agriculture got the top priority with 97.82 per cent increase in Per Capita expenditure over previous year due to a new Investment Support Scheme (Rythu Bandhu). There was a considerable increase (12.41 per cent) on Health and Family Welfare over previous year.
- There was a considerable dip in the Per Capita expenditure in respect of Transport (14.32 per cent) and Education, Sports, Arts and Culture (6.19 per cent).

1.5.4.3 Efficiency of expenditure use

Details of Capital and Revenue Expenditure on maintenance of social and economic services are in **Table 1.19** below:

Table 1.19: Efficiency of expenditure on selected social and economic services

(in per cent)

Social/Economic Infrastructure	2017-18			2018-19		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
Social Services (SS)						
General Education	1.98	69.63	0.08	2.37	85.27	0.00
Health and Family welfare	5.21	29.15	0.34	8.61	45.77	0.00
Water Supply, Sanitation, Housing & Urban Development	38.73	10.16	1.77	56.91	14.53	0.35
Total (SS)	7.11	31.17	0.31	12.39	35.61	0.03
Economic Services (ES)						
Agriculture & Allied Activities	7.27	12.37	3.34	7.43	9.30	0.00
Irrigation & Flood Control	96.94	63.07	19.10	95.91	67.35	15.12
Power & Energy	38.26	0.00	0.00	32.51	0.30	0.00
Transport	78.47	3.19	50.25	54.01	2.18	4.60
Total (ES)	54.36	11.45	3.59	41.34	10.46	0.51
Total (SS + ES)	30.00	24.94	1.35	25.87	26.34	0.21

Source: Finance Accounts; CE: Capital Expenditure; RE: Revenue Expenditure; TE: Total Expenditure; S&W: Salaries & Wages; O&M: Operation & Maintenance

It can be seen from above that, the ratio of Capital Expenditure to Total Expenditure in Water Supply, Sanitation, Housing and Urban Development has increased significantly, indicating the focus of the Government on asset creation under this sector.

In respect of Revenue Expenditure, the share of Salaries and Wages considerably increased over the preceding year in Health and Family Welfare followed by General Education under Social Sector. There was a dip in share of Operation and Maintenance (O&M) over the previous year in both Social Sector and Economic Sector.

1.6 Government Assets

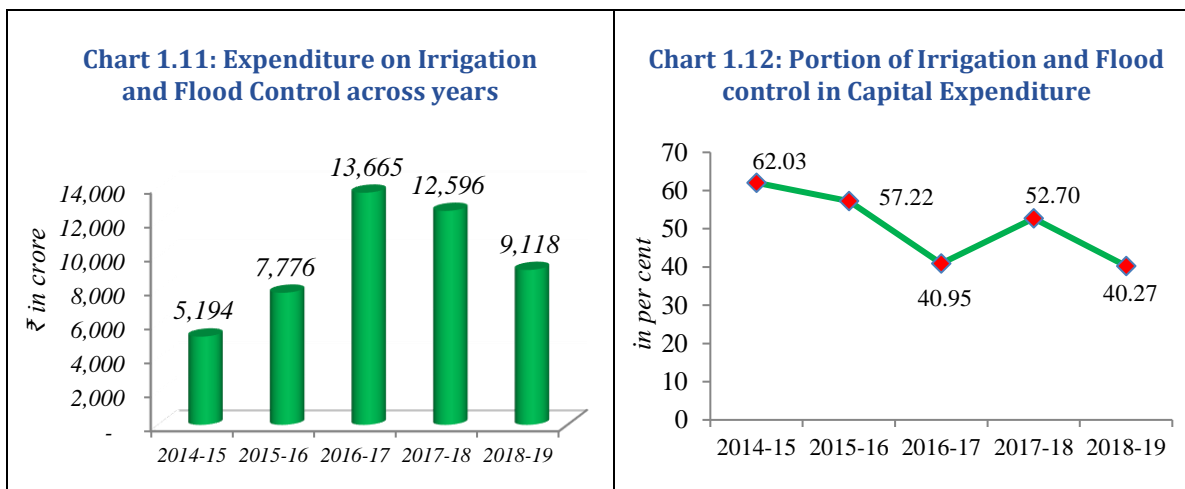
While the Government accounting system does not provide for comprehensive accounting of fixed assets like land and buildings owned by the Government, these can be derived from the accounting of financial liabilities and assets created out of expenditure incurred. **Appendix 1.6** gives an abstract of liabilities and assets, as on 31 March 2019, compared with the corresponding position on 31 March 2018.

Government assets mainly comprise of Capital outlay, Investments, Loans and Advances given by the State Government and cash balances.

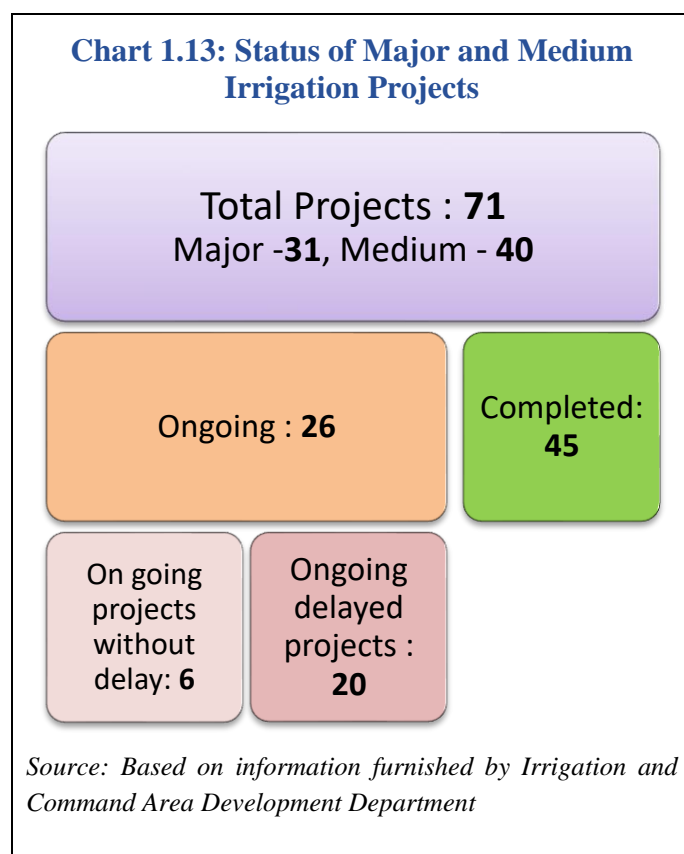
1.6.1 Capital outlays: Incomplete projects

Capital Expenditure has accounted for 13.83 per cent to 28.22 per cent of the Total Expenditure in the last five years. During the years 2014-19, an amount of ₹1,01,877 crore was spent on capital projects.

Within the capital projects, the major share of the Capital Expenditure was on Irrigation and Flood Control. An amount of ₹48,349 crore was spent on Irrigation and Flood control during the last five years. The capital outlay on Irrigation and Flood Control and its share in total Capital Expenditure of the Government are in **Chart 1.11** and **Chart 1.12**.



Source: Finance Accounts



Out of the 26 ongoing projects, as shown in **Chart 1.13**, there were 20 projects with delays ranging from three months to 11 years³⁷ beyond the scheduled date of completion these projects. The original estimated cost of these 20 delayed projects was ₹76,287 crore. The delays have led to revision of cost to ₹1,87,848 crore *i.e.*, an escalation of ₹1,11,561 crore (146 per cent). An amount of ₹1,00,494 crore has already been spent so far on these incomplete projects. Delays in completion of projects not only adversely affected the quality of the expenditure but also deprived the State of intended benefits of economic growth.

³⁷ 11 years: 6 projects (SRSP Stage II, Peddavagu at Jagannathpur, Sri KomaramBheem, Neelwai, Palemvagu, Modikuntavagu); 10 years: 1 project (M Baga Reddy Singur Canals); 9 years : 4 projects (Mahatma Gandhi Kalwakurthi Lift Irrigation Scheme, Rajiv Bheema Lift Irrigation Scheme, Jawahar Nettempadu Lift Irrigation Scheme, Lendi Project); 8 years: 1 Project (Koilsagar), 7 years: 1 Project (Sripadasagar Yellampally); 6 years: 3 Projects (AMR SLBC Project, Indiramma Flood flow Canal of SRSP, Kaleshwaram Lift Irrigation Scheme) and others with a delay of five years or less

Irrigation projects are taken up and approved on the basis of data that supports an implicit assumption that the benefits of the project will outweigh the costs. With time overruns, cost escalations and changes in design, the above averment made at planning stage, would come to naught.

Further, the State Government did not disclose financial results of any of the Irrigation projects. As a result, there was no proper assurance of returns from the heavy public investments in Irrigation and Flood control.

Recommendation 3: *State Government may compile working results of Major Irrigation Projects to assess benefits from persistent heavy investments in Irrigation sector. These working results would guide future investments in the sector.*

1.6.2 Investments

As of 31 March 2019, the State Government's investments stood at ₹19,754 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During the year 2018-19, Government of Telangana invested ₹3,388.55 crore in 11 entities. These investments were mainly in (i) Power Distribution Companies of Telangana (DISCOMs) (₹2,400 crore), (ii) Telangana State Seeds Development Corporation Limited (₹677 crore) and (iii) Telangana Backward Castes Cooperative Finance Corporation Limited (₹177 crore). However, neither the State Government nor the individual entities reconciled or confirmed these investments. Further, the Finance Department did not furnish the files pertaining to fresh investments made during the year. Hence, audit could not ensure that the investments were made with due diligence by the State Government and for the purpose for which the entities were created.

Details of Investments made by the Government are shown in **Table 1.20** below:

Table 1.20: Return on Investment

Sl. No.	Investment / Return / Cost of borrowings	2015-16	2016-17	2017-18	2018-19
1	Investment at the end of the year (₹ in crore)	1,329	13,075	16,365	19,754
2	Return in the form of Dividend (₹ in crore)	69	70	101	94
3	Rate of Return (RoR) (<i>per cent</i>)	5.19	0.54	0.62	0.48
4	Average rate of interest on Government borrowing (<i>per cent</i>)	8.50	7.40	7.21	6.93
5	Difference between RoR (<i>per cent</i>) and interest rate (3-4)	(-) 3.31	(-) 6.86	(-) 6.59	(-) 6.45

Source: Finance Accounts

As can be seen from the above, Return on Investment (RoI) in these Companies / Corporations has been very low. Further, even though the investments made by the Government has increased from ₹1,329 crore in 2015-16 to ₹19,754 crore in 2018-19, there is no marked increase in RoR from the Companies / Corporations.

1.6.3 Loans and Advances given by the State Government

Government provides Loans and Advances to Public Sector Undertakings, Local Bodies and Autonomous Bodies. **Table 1.21** presents the details of outstanding Loans and Advances during the years 2015-19:

Table 1.21: Details of Loans and Advances by State Government

Sl. No.	Quantum of Loans/Interest Receipts/ Cost of Borrowings	2015-16	2016-17	2017-18	2018-19
1	Opening Balance (₹ in crore)	1,406	6,552	9,798	15,869
2	Amount advanced during the year (₹ in crore)	5,233	3,402	6,209	8,706
3	Amount recovered during the year (₹ in crore)	88	156	138	66
4	Closing Balance (₹ in crore)	6,552	9,798	15,869	24,509
5	Net addition (₹ in crore)	5,145	3,246	6,071	8,640
6	Interest Receipts (₹ in crore)	53	105	84	7
7	Interest receipts as <i>percentage</i> of outstanding Loans and Advances (in <i>per cent</i>)	0.80	1.07	0.53	0.03
8	Interest payments as <i>percentage</i> to outstanding liabilities of the State Government (in <i>per cent</i>)	8.50	7.4	7.21	6.39
9	Difference between interest receipts and interest payments (in <i>per cent</i>)	(-)7.70	(-)6.33	(-)6.68	(-)6.36

Source: Finance Accounts;

Following observations are made in Audit:

- Loans and Advances to Autonomous Bodies and Corporations (₹8,706 crore) in 2018-19 increased significantly by 40 *per cent* (₹2,497 crore) over preceding year. This was, however, lower than Budget Estimates of ₹9,036 crore. Major portion of loans were disbursed for projects relating to Water Supply, Sanitation, Housing and Urban Development (₹3,596 crore) as well as for Social Welfare and Nutrition (₹2,400 crore), Road Transport (₹753 crore), Health & Family Welfare (₹621 crore), Agriculture and allied services (₹575 crore). Total balance of Loans and Advances given to the end of 31 March 2019 was ₹24,509 crore.
- The State Government has not confirmed the overdue Principal amount and interest under Loans and Advances. Further, acceptance of loan amounts, loan agreements and statement of reconciliation of outstanding loans were not made available to audit. As a result, it cannot be assured that the outstanding loans in the Government Accounts are properly reflected as borrowings from the Government in the records of the Loanee institutions.

Government advanced a loan of ₹276.28 crore and Grants-in-Aid of ₹222.60 crore in 2017-18 to Arogyasri Health Care Trust (AHCT). On cross verification of annual Receipts and Payment accounts of AHCT with that of Government Accounts, it was noticed that the annual Receipts and Payment accounts of AHCT depicted ₹182.05 crore as Advances and ₹461.38 crore as Grants-in-Aid. This indicates that the depiction of Loans and Grants by the institutions was not in conformity with the accounts of the Government.

- The Government has also been providing loans to Autonomous Bodies which are implementing Government subsidy schemes and which do not have a definite stream of revenue resources for servicing debt. Out of ₹24,509 crore loans provided by the Telangana Government after formation of the State, 28 *per cent* i.e., ₹6,920 crore³⁸ were provided to such institutes without definite stream of revenues of their own for debt servicing.
- As discussed earlier in *paragraph 1.3.1*, funds amounting to ₹2,300 crore kept in Personal Deposit Account of two institutions³⁹ originally debited under loan heads of account in 2017-18 and lapsed at the end of the year were resumed and credited back to the receipt head of account in 2018-19 instead of minus debit of the loan head. These amounts were, however, continued to be shown as outstanding under Loans in Government assets, and hence do not indicate the real worth of Government assets.
- Further, the Government gave fresh loans of ₹671 crore to Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB), and ₹19 crore to Telangana State Industrial Infrastructure Corporation (TSIIC) for repayment of their past loans. Government also gave loans (₹493.32 crore) for repayment of loan (₹225.71 crore) and payment of interest (₹267.61 crore) by Telangana State Sheep and Goat Development Cooperative Federation Limited (TSSGDCFL) to National Cooperative Development Corporation (NCDC) (please refer to *paragraph 1.5.2.2* for further details).
- The accounts of bodies like Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) were in arrears since 2010-11. The Government, however, provided loans amounting to ₹5,932.30 crore to the Board to end of 31 March 2019 to this institution.

Providing unconditional loans and further loans to repay past loans without insisting on the financial discipline of rendering timely accounts *etc.* are detrimental to public accountability and indicative of poor financial management.

- The current level of recovery of loans was very low. An amount of ₹7,807 crore was estimated, in the budget, to be recovered in 2018-19. The actual recovery (₹66 crore) in 2018-19 was only 0.85 *per cent*. The Budget Estimates in this regard were consistently inflated in comparison to previous years' recovery trends⁴⁰.

³⁸ Telangana State Scheduled Castes Cooperative Development Corporation Limited (₹3,142 crore), Telangana State Scheduled Tribes Cooperative Finance Corporation Limited (₹1,776 crore), Arogyasri Health Care Trust (₹924 crore), Telangana State Sheep and Goat Development Cooperative Federation Limited (₹684 crore), Telangana State Civil Supplies Corporation Limited (₹393.78 crore)

³⁹ Telangana State Scheduled Castes Cooperative Development Corporation Limited (₹1,500 crore) and Telangana State Scheduled Tribes Cooperative Finance Corporation Limited (₹800 crore).

⁴⁰ In 2015-16, the recovery of loans and advances was ₹88 crore (10.06 *per cent*) as against budget provision of ₹875 crore. The Budget Estimates in the 2016-17 was ₹2,874 crore, the recovery of loans was ₹156 crore (5.43 *per cent*). The Budget Estimates in the 2017-18 was ₹5,807 crore, the recovery of loans was ₹138 crore (2.38*per cent*). The Budget Estimates in the next year was ₹7,807 crore.

Low recovery and increase in amounts advanced have together led to increase in the amount of outstanding loans there by having an impact of ₹8,640 crore in the Fiscal Deficit.

- Interest receipts from outstanding Loans and Advances have been decreasing for the last two years and are a meagre 0.03 per cent in 2018-19.

Recommendation 4: *The State Government may place on record debt servicing capacity of the institutions before providing loans.*

1.6.4 Cash balance

The State Government's cash balances at the end of March 2019 amounted to ₹7,218 crore (*Appendix 1.3*). Out of this, an amount of ₹7,309 crore⁴¹ was cash balance investments (₹1,588.95 crore) and investments in earmarked funds (₹5,719.69 crore) including Sinking Funds (₹4,877.14 crore) and Guarantee Redemption Fund – Investment Account (₹837.70 crore). *Table 1.22* depicts the cash balances and investments made by the State Government out of cash balances during the year:

Table 1.22: Cash Balances and Investment of Cash Balances

(₹ in crore)

	Opening balance as on 01-04-2018	Closing balance as on 31-03-2019	Increase(+)/ Decrease(-)
(a) General Cash Balance			
Cash in Treasuries	---	---	---
Deposits with Reserve Bank	76.03	(-)93.29	(-)169.32
Deposits with other Banks	---	---	---
Remittances in transit - Local	2.07	2.07	0
Total	78.10	(-)91.22	(-)169.32
Investments held in Cash Balance investment account	2,277.42	1,588.95	(-)688.47
Total (a)	2,355.52	1,497.73	(-)857.79
(b) Other Cash Balances and Investments			
Cash with Departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors	---	---	---
Permanent advances for contingent expenditure with Departmental officers	0.30	0.30	0
Investment of earmarked funds	4,637.09	5,719.69	1,082.60
Total (b)	4,637.39	5,719.99	1,082.60
Grand total (a)+ (b)	6,992.91	7,217.72	224.81

The Cash Balances at the end of March 2019 increased by ₹224.81 crore i.e., increase by three per cent compared to previous year.

The State Government has to maintain a mandatory minimum daily cash balance of ₹1.38 crore with the Reserve Bank of India (RBI). The Governments can avail Special Drawing Facility (SDF⁴²) against the collateral of Consolidated Sinking Fund (CSF),

⁴¹ This includes minus balance of ₹93.29 crore under Deposits with Reserve Bank.

⁴² previously known as Special Ways and Means Advances

Guarantee Redemption Fund (GRF) and Auction Treasury Bills (ATBs) balances and other investments in Government securities. The State Governments would be facilitated by RBI with Ways and Means Advances (WMA) for meeting temporary cash mismatches. Overdraft (OD) is advanced to the State Governments beyond their WMA limits.

State Government maintained mandatory minimum daily cash balance of ₹1.38 crore with RBI for 197 days during the year. State Government depended on SDF (for 168 days: ₹5,606.47 crore), WMA (for 135 days: ₹13,616.88 crore) and OD (for 32 days: ₹2,599.92 crore) for maintaining the minimum balance with RBI.

In monetary terms, however, SDF / WMA / OD marginally decreased by ₹1,099 crore (five *per cent* decrease) to ₹21,823.27 crore in 2018-19 from ₹22,921.77 crore in 2017-18, however it still indicates increasing dependency of Government on WMA. The interest payment on WMA (including SDF and OD) during 2018-19 was ₹15.44 crore as against ₹13.82 crore in 2017-18, *i.e.*, 12 *per cent* increase.

1.7 Government Liabilities

Total Liabilities of the Government consist mainly of internal borrowings, Loans and Advances from GoI and balances in the Public Account. The total liabilities of the State as of 31 March 2019 was ₹1,96,963 crore; its composition is at **Chart 1.14**.

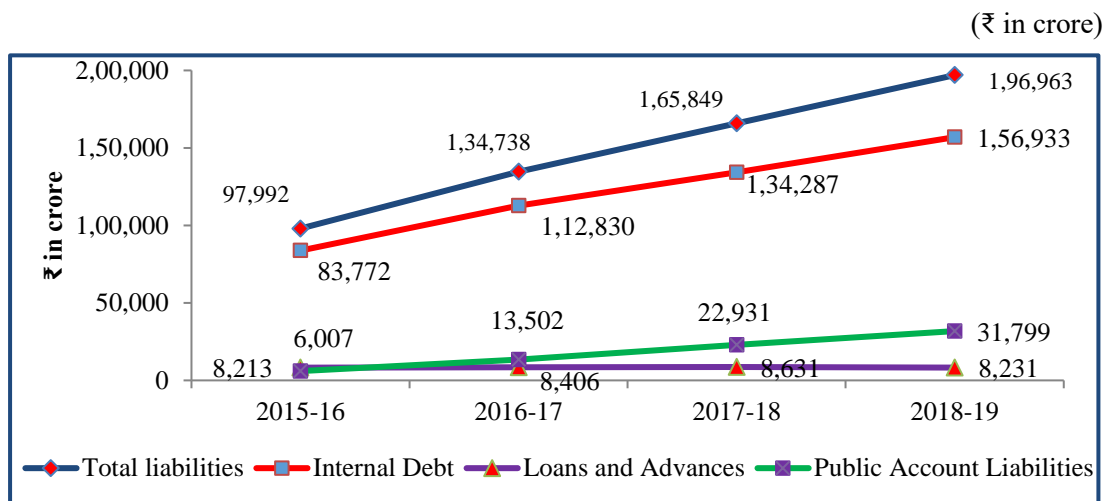
Chart 1.14: Components of total liabilities of the State Government

Total Liabilities (₹1,96,963 crore)		
Internal Debt from Market, financial institutions, etc. (₹1,56,933 crore)	Loans and Advances from Government of India (₹8,231 crore)	Public Account Liabilities where Government acts as a banker (₹31,799 crore)
Market Loans (₹1,33,719 crore)	Loans for Central Plan Schemes and other Loans (₹8,214 crore)	Small Savings, Provident Fund, etc. (₹10,117 crore)
Bonds (₹8,923 crore)	Non Plan Loans (₹17 crore)	Reserve Fund bearing interest (₹377 crore)
Loans from Financial Institutions (₹4,721 crore)		Reserve Fund not bearing interest (₹1,591 crore)
Special Securities issued to NSSF (₹8,860 crore)		Deposits bearing interest (₹2,440 crore)
Other Loans (₹710 crore)		Deposits not bearing interest (₹17,274 crore)

Source: Finance Accounts

Audit analysis showed that the liabilities are on an ascending trend (**Chart 1.15**) over the last four years. The total liabilities of the Government are 1.94 times of its Revenue Receipts. The liabilities constitute 22.75 *per cent* of the Gross State Domestic Product (GSDP), which, however, is within the limit of 25 *per cent* prescribed by Medium Term Fiscal Policy Statement (MTFP). The liabilities grew by 18.76 *per cent* over preceding year.

Chart 1.15: Trend of liabilities



Source: Finance Accounts

1.7.1 Reserve Funds

Reserve Funds are created for specific and defined purposes. These are funded by contributions/Grants from the Consolidated Fund of the State. Out of the gross accumulated balance of ₹7,687.68 crore lying in these Funds as on 31 March 2019, ₹5,719.69 crore was invested in the GoI Securities, leaving the total net accumulated balance of ₹1,967.99 crore (Reserve Funds bearing Interest: ₹377.07 crore and Reserve Funds not bearing Interest: ₹1,590.92 crore).

1.7.1.1 Consolidated Sinking Fund

Sinking Fund was created in the year 1999-2000 for amortisation of State's liabilities. As per guidelines⁴³, the State Government may contribute annual contributions to the Sinking Fund at 0.5 per cent of the outstanding liabilities at the end of the previous financial year. Accordingly, ₹829.25 crore was to be contributed in 2018-19 on the outstanding liabilities of ₹1,65,849 crore at the end of 2017-18. The contribution of State Government in 2018-19 was ₹500 crore. Further the interest earned on the investment from CSF was ₹352.31 crore. Thus, the total addition to CSF during the year was ₹852.31 crore.

1.7.1.2 Guarantee Redemption Fund

As per guidelines of Reserve Bank of India, Government of Telangana created⁴⁴ (June 2014) the Guarantee Redemption Fund (GRF) to meet its obligation pertaining to the Guarantees given by the Government on loans raised by bodies such as Public Sector Undertakings, Special Purpose Vehicles, etc., outside of the State budget. In case of default by the borrower, these guarantees become liabilities of the State Government. As such, guarantees, generally, are contingent liabilities.

A minimum of 0.5 per cent of outstanding guarantees was envisaged as annual contribution to raise the Fund to a minimum level of three per cent in next five years and eventually to a level of five per cent. Accordingly, ₹388.56 crore was to be contributed in 2018-19 on

⁴³ G.O.Ms.No. 3, Finance (DCM), dated 11 June 2014 on Revised Scheme of Consolidated Sinking Fund

⁴⁴ G.O.Ms.No. 4, Finance (DCM), dated 11.06.2014

the outstanding value (₹77,713 crore) of guarantees. State Government, however, has contributed only ₹200 crore leaving a shortfall of ₹188.56 crore.

- The total available balance in GRF as of March 2019 was ₹837.69 crore⁴⁵. This was only 1.08 *per cent* of the outstanding amount of guarantees (₹77,713 crore) as against the targeted three *per cent i.e.*, ₹2,331.39 crore. Thus, there was a short contribution of ₹1,493.70 crore in the Guarantee Redemption Fund.
- The State Government did not contribute in 2016-17 and 2017-18, though, it contributed ₹83.94 crore in 2015-16.

1.7.1.3 State Disaster Response Fund

The State Government constituted State Disaster Response Fund (SDRF) in 2010-11. As per the guidelines of the Fund, Government of India (GoI) and State Governments are required to contribute to the Fund in proportion of 75:25 respectively.

The amount available in the SDRF at the beginning of the year was ₹66.71 crore. During 2018-19, GoI contributed ₹226.50 crore and State Government had contributed its share of ₹75.50 crore to the fund. Out of ₹368.71 crore available in the fund, an amount of ₹15.23 crore was utilised, leaving a balance of ₹353.47 crore.

1.7.1.4 Non-discharge of interest obligation towards interest bearing deposits – Zilla Parishad Provident Fund

Deposit account “MH 8338 - Deposits of Local Funds” includes contributions of employees of Zilla Parishads towards Provident Fund and payments made therefrom. The individual Provident Fund Accounts (ZPPF) are maintained by the Chief Executive Officer (CEO), Zilla Parishad of the district concerned. Since this is under the category of ‘deposits bearing interest’, the State Government has a liability to pay interest on balances in this account. Director of State Audit is responsible to consolidate the total interest payable on the balances and send proposals to Finance Department for necessary budget provision towards interest on ZPPF.

The Director of State Audit intimated that an amount of ₹934.55 crore was due towards interest on Zilla Parishad Provident Fund in respect of Panchayati Raj employees from 2000-01 to 2018-19.

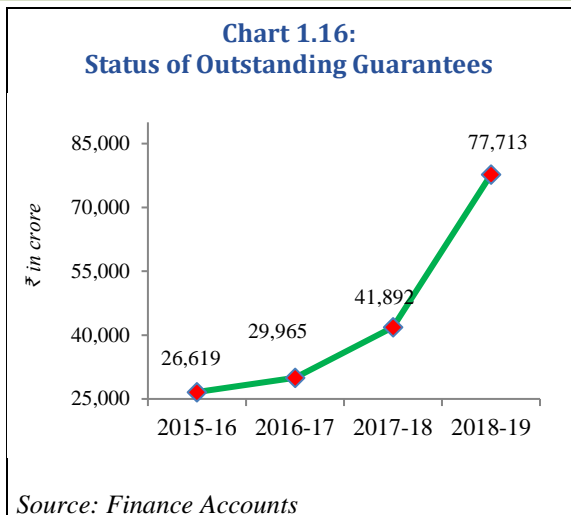
Thus, undischarged liability being postponed increases the burden on the Governments’ Revenue Expenditure at later date.

1.7.2 Guarantees

The State Government, at times, stands as a Guarantor for the loans obtained by Government Companies, Corporations or Autonomous Bodies. The Guarantees given by the Government might become the liabilities of the State Government in case of default by the borrower.

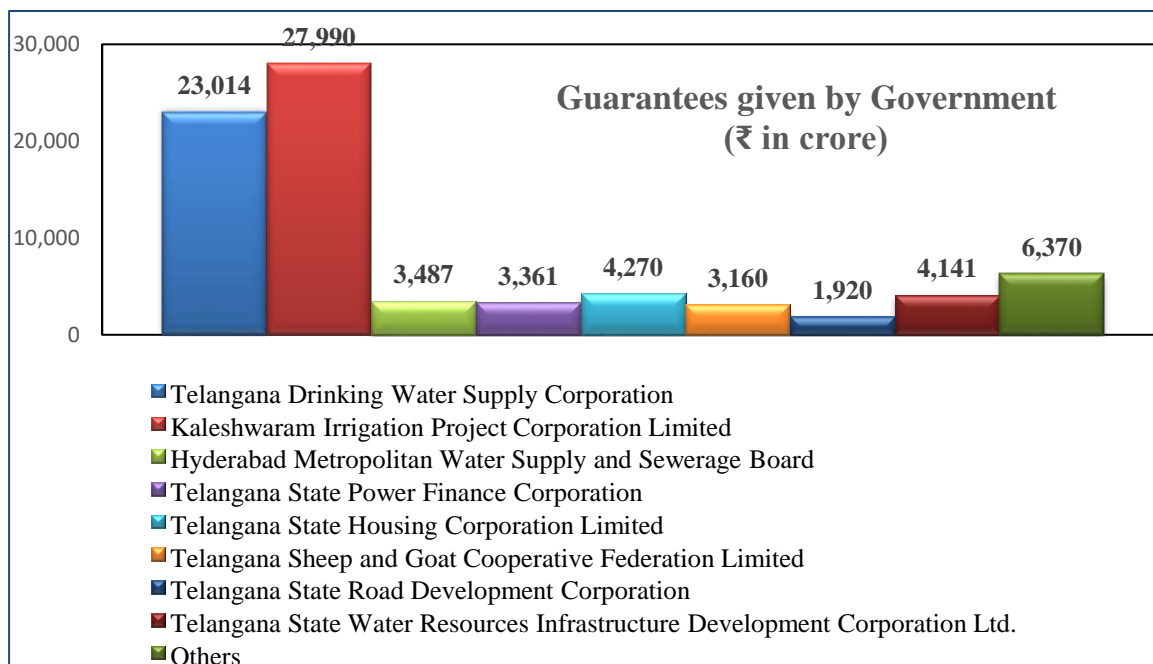
⁴⁵ including interest earned of ₹54.06 crore during the year

Fiscal Responsibility and Budget Management (FRBM) Act, 2005 stipulated that the annual risk weighted guarantees are to be limited to 90 per cent of the total Revenue Receipts in the preceding year. The outstanding guarantees (₹77,713 crore) (**Chart 1.16**) at end of 2018-19 stood at 87 per cent of total Revenue Receipts of the preceding year (₹88,824 crore). The outstanding Guarantees were within the FRBM ceiling (90 per cent).



Out of the total loans guaranteed by the Government, 65 per cent pertained to two Special Purpose Vehicles viz., (i) Telangana Drinking Water Supply Corporation for implementation of a flagship project: Mission Bhagiratha and (ii) Kaleshwaram Irrigation Project Corporation Limited for implementation of Kaleshwaram Project (**Chart 1.17**).

Chart 1.17: Entities in receipt of guarantees at the end of 31 March 2019



Source: Finance Accounts

The erstwhile Government of Andhra Pradesh (Combined) issued (September 2003) instructions⁴⁶ to be followed while providing guarantees. Audit analysed the compliance of the instructions contained in the Government Order by the State Government while extending the guarantees during 2018-19. The following are the findings in Audit:

⁴⁶ G.O.Ms.No.446, dated 29 September 2003

- The Government Order required that the financial performance of the borrowing entity shall be analysed in terms of its profitability, operational strength, and financial ratios. However, audit observed that :
 - The Government extended Guarantees (₹3,487 crore) to loans taken by Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) whose annual accounts were in arrears from 2010-11 onwards.

Box 1.4: Guarantees to Kaleshwaram Irrigation Project Corporation Limited

The Kaleshwaram Irrigation Project was implemented by Irrigation and Command Area Development (I&CAD) Department through a SPV, viz., Kaleshwaram Irrigation Project Corporation Limited (KIPCL). The Detailed Project Report (DPR) of Kaleshwaram Project mentioned that the project would hardly generate any revenues as irrigation water was being provided at a very nominal water charges since the command area lies in the drought prone districts of Telangana. Hence, no analysis of the revenues was made in the DPR since there were no proposals for imposing water charges.

It was observed in audit that while providing guarantees of ₹27,990 crore to KIPCL for obtaining loans from various Banks, the I&CAD Department stipulated a condition that KIPCL shall undertake to repay the loans through revenue accruals from the project or project revenues.

In view of the mention in the DPR that there might be hardly any revenues from the Project, there is a risk that the Guarantee given by the State Government to KIPCL turns out to be an off budget borrowing.

The above indicates that the State Government provided Guarantees to the organisations without ensuring financial accountability through which financial performance could be assessed. Providing Guarantees without proper risk evaluation assumes importance in the back ground that all the Guarantees given by the Government were categorised as 100 *per cent* risk weighted as per the Statement of Fiscal Policy presented to the Legislatures.

- The Government Order of 2003 stipulated that the guarantee shall cover only the principal portion of the loan and not the interest thereon. In case, interest was also to be guaranteed, the reason for the same shall be detailed by the borrowing entity, and the same shall be examined by the Government. Guarantees worth ₹3,230 crore were, however, extended by the Government for three institutions⁴⁷ covering interest portion also. No reasons were found on record or furnished to audit for extending guarantees for the interest portion.
- Further, the GO also stipulated a Guarantee Commission of 0.5 *per cent* per annum or two *per cent* consolidated for the entire guarantee period from the borrowing entity. As such, Guarantee Commission of ₹388.56 crore⁴⁸ was to be received by the Government to the end of March 2019 from 26 institutions to which Guarantees of

⁴⁷ Telangana State Sheep and Goat Development Cooperative Federation Limited (₹3,160 crore), Singareni Collieries Company Limited (₹66.33 crore) and Co-operative Sugar Factories (₹4.02 crore)

⁴⁸ calculated at a rate of 0.5 *per cent* on the total guaranteed amount of ₹77,713 crore

₹77,713 crore were provided. Guarantee Commission of, however, ₹340 crore was received under Miscellaneous General Services from only one institution viz., Telangana State Water Resources Infrastructure Development Corporation Limited (TSWRIDCL). This was much higher (₹319.29 crore) than the Guarantee Commission of ₹20.71 crore actually receivable from TSWRIDCL on outstanding guarantees of ₹4,141 crore.

As the accretions by way of Guarantee Commission realised during the year would have to be transferred to Guarantee Redemption Fund in the succeeding year, short collection would make the GRF underfunded.

1.7.3 Debt Management

Outstanding Public Debt (internal debt and Loans and Advances from Government of India) of the State Government as of 31 March 2019 is ₹1,65,164 crore. The Outstanding Public Debt increased by 16 per cent over the preceding year, at a slightly higher rate than the growth of GSDP.

1.7.3.1 Debt analysis – Debt Sustainability and trends of debt repayment

Debt sustainability is defined as the ability of the State to service its debt liability in the future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings, with returns from such borrowings. It means that increase in Fiscal Deficit should match with the increase in capacity to service the debt. **Table 1.23** analyses the Debt sustainability of the State according to these indicators.

Table 1.23: Debt Sustainability: Indicators and Trends

Particulars	2015-16	2016-17	2017-18	2018-19
Rate of growth of outstanding debt (public debt and other liabilities) (in per cent)	22.67	37.50	23.09	18.76
Rate of growth of GSDP (in per cent)	14.24	14.04	14.38	14.84
Average interest rate of outstanding debt	8.50	7.40	7.20	6.90
Interest Payments/Revenue Receipt (in per cent)	9.93	10.40	12.20	12.41
Receipts under Public Debt and other liabilities (₹ in crore)	61,136	91,902	1,06,641	1,17,715
Repayment (principal and interest) under public debt and other liabilities (₹ in crore)	50,581	68,160	89,039	1,03,666
Debt Redemption ((Principal + Interest Payments) / Debt Receipts) (in per cent)	82.74	74.17	83.49	88.07
Net Availability of Borrowed Fund (₹ in crore) (per cent)	10,555 (17.26)	23,742 (25.83)	17,602 (16.51)	14,049 (11.93)

Source: Finance Accounts

Notes: Receipts and Repayments under Public Debt include Ways and Means Advances

The following are observed:

- **Interest Payments:** Interest payments are increasingly consuming Revenue Receipts. Interest payments as percentage of Revenue Receipts increased from 9.93 per cent in 2015-16 to 12.41 per cent in 2018-19. The interest payments relative to Revenue Receipts were much higher at 12.41 per cent in comparison to the target of 8.37 per cent fixed by XIV Finance Commission.

- **Net Availability of Borrowed Funds:** The Net Availability of Borrowed Funds (NABF) indicates the amount that can be utilised by Government for its activities after payment of interests and repayment of borrowings. The NABF for purpose other than Debt repayment was ₹14,049 crore. The net availability of borrowed funds was lower in 2018-19 in comparison to 2017-18, when it was ₹17,602 crore.

It can be noted that there was a decrease (₹3,553 crore) in NABF despite higher (₹2,908 crore) market borrowings in comparison to 2017-18 (₹26,231 crore) on account of higher interest payments (₹1,750 crore) and higher principal repayments (₹12,877 crore). As a result, only 11.93 *per cent* of borrowed funds were available as compared to 16.51 *per cent* in 2017-18 .

- **Domar Model of Debt sustainability :** Fiscal Deficit of the State as a proportion of GSDP has fluctuated during the last four years between 2015-16 (3.23 *per cent*) and 2018-19 (3.11 *per cent*) with higher fiscal deficits in 2016-17 (4.3 *per cent*) and 2017-18 (3.55 *per cent*). The State registered Revenue Surplus and Primary Deficit during 2015-16 to 2018-19.

There are various approaches at assessing the debt sustainability, one such approach is Domar model⁴⁹.

An analysis on debt sustainability was carried out using this approach. The details are as follows:

g-r (g: real economic growth rate; r : real interest rate without taking inflation in to account)	s<0 (primary deficit) (s: Primary Balance)	s>0 (primary surplus) (s: Primary Balance)
g-r > 0 (strong economic growth)	public debt will converge to a stable level greater than zero	public debt will converge to a stable level less than zero leading to public savings
g-r < 0 (slow economic growth)	public debt will increase indefinitely, without converging to a stable level	undefined situation

The results of applying the analysis to Telangana are shown in **Table 1.24** below:

Table 1.24: Debt Sustainability as per Domar model

Year	Real Growth rate (g)	Real Interest rate (r)	Domar gap (g-r)	Primary Deficit (-) / Surplus ((+) s) (₹ in crore)
2015-16	11.58	2.98	8.60	(-) 11,298
2016-17	9.39	1.25	8.14	(-) 26,672
2017-18	10.15	3.35	6.80	(-) 15,864
2018-19	10.50	4.31	6.19	(-) 14,363

Source: Finance Accounts

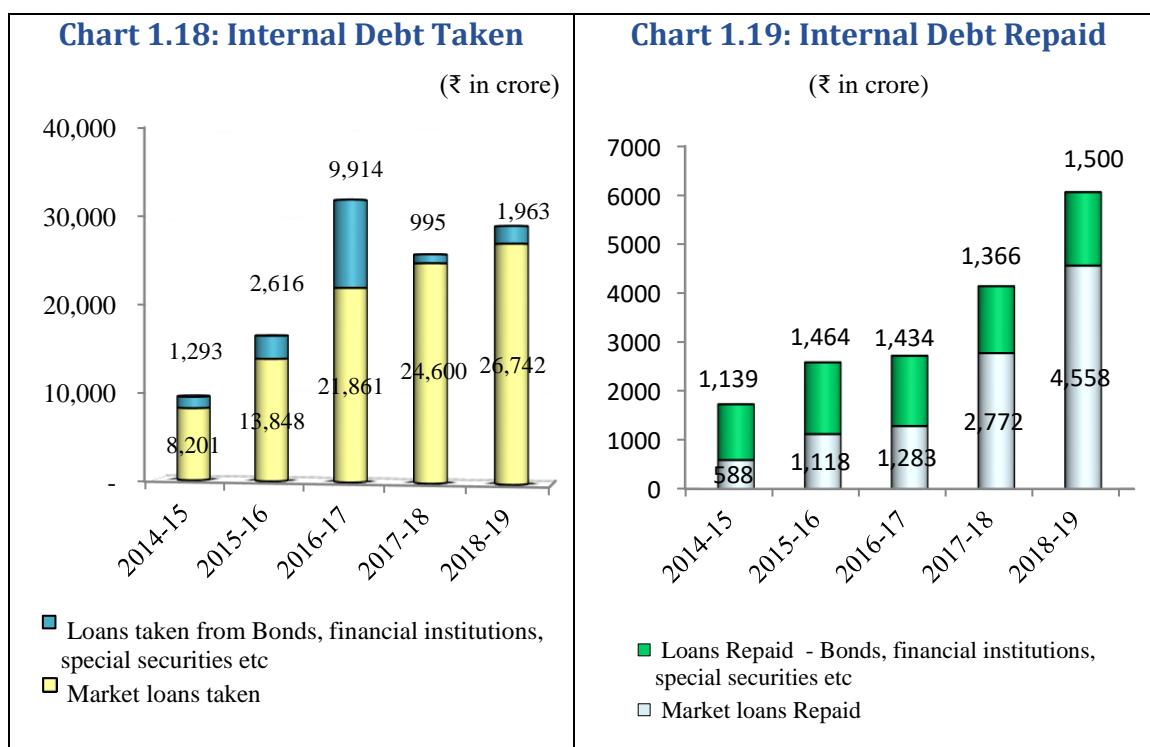
Further, Debt to GSDP ratio stood at 22.75 *per cent* and the Fiscal Deficit to GSDP ratio at 3.11 *per cent* in 2018-19. The corresponding Fiscal target of Debt limit as per Fiscal Responsibility and Budget Management (FRBM) Act, 2005 (amended in 2016) was 25 *per cent*, and Fiscal Deficit ceiling was 3.5 *per cent* of GSDP. Fiscal target of Debt limit as per XIV FC was 23.33 *per cent* and Fiscal Deficit ceiling was

⁴⁹ E.D. Domar, 1914-1997

3.25 per cent of GSDP. The Capital Expenditure of the State has hovered between 2015-16 (14.3 per cent) and 2018-19 (14.4 per cent) with higher Capital Expenditure in 2016-17 (28.2 per cent) and 2017-18 (16.7 per cent).

During 2014-15 to 2018-19, the State has registered primary deficit. However, it is seen that the Domar gap (g-r) is positive during the entire period from 2015-16 to 2018-19. Therefore, as per the Domar model, the public debt is stated to be stable. It is, however, noteworthy that the Domar gap (g-r) has been registering a decreasing trend. Moreover, other factors such as public account liabilities and *force majeure* events⁵⁰ and/or any other un-inventoried losses of revenue also have to be reckoned in assessing the debt sustainability/stability of the State⁵¹.

- Market borrowings** : Market borrowings (₹1,33,719 crore) form a major portion (85 per cent) of the internal debt (₹1,56,933 crore) of the State Government, with interest rates ranging from 5 to 13.99 per cent. In 2018-19, the State Government borrowed fresh market loans of ₹26,742 crore (**Chart 1.18**) and repaid ₹4,558 crore (**Chart 1.19**). The outstanding market borrowings as of 31 March 2019 were ₹1,33,719 crore. The net increase of market borrowings during the year was 20 per cent (₹22,184 crore).



Source: Finance Accounts

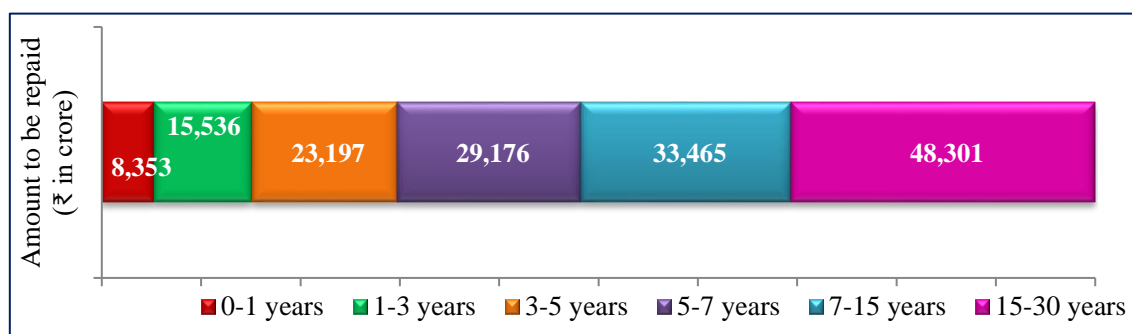
1.7.3.2 Debt repayment schedule

Public Debt maturity profile (**Chart 1.20**) indicates commitment on the part of the Government for debt repayment or debt servicing in the coming years.

⁵⁰ Like current Coronavirus crisis & its effect on GSDP.

⁵¹ As these cannot be anticipated or determined statistically, these have not been factored in the analysis

Chart 1.20: Debt Maturity profile



Source: Finance Accounts

Note: The total of ₹1,58,028 crore above varies with total outstanding debt of ₹1,65,164 crore due to non-availability of maturity details for debt servicing for ₹7,136 crore in the Finance Accounts.

The maturity profile of outstanding stock of public debt as on 31 March 2019 showed that 46 per cent (₹76,262 crore) of the total outstanding debt was to be repaid in next seven years and the balance thereafter. **The State needs to augment its resources or it would be forced to curtail its expenditure to meet the increasing debt repayment burden over the next seven years.**

Out of ₹26,742 crore market borrowings made in 2018-19, repayment of 51 per cent is due in the year 2043 (₹13,718 crore) and 23 per cent in 2038 (₹6,250 crore). This indicates that in 2018-19, the Government has been, borrowing loans with longer maturity of 20 and 25 years with interest rates ranging from 7.75 per cent to 8.75 per cent.

Box 1.5: Long term Projections

The internal debt from market, financial institutions *etc* was ₹1,56,933 crore and Loans and Advances from Government of India was ₹8,231 crore totalling to ₹1,65,164 crore (*paragraph 1.7.1*). Apart from servicing the debt, the State Government is also committed to fund 20 capital intensive irrigation projects that are in various stages of construction. The revised cost of these projects is ₹1,87,848 crore, out of which ₹1,00,494 crore was spent, leaving a further financial requirement of ₹87,354 crore on these delayed projects. There are another six ongoing projects, whose cost is estimated at ₹19,360 crore. Thus, Government will need to gather more than ₹1.78 lakh crore⁵² over the next seven years to meet its commitments.

Government also carries a direct contingent liability for another ₹77,713 crore by way of Guarantees mainly on account of Telangana Drinking Water Supply Corporation for Mission Bhagiratha (₹23,014 crore) and Kaleshwaram Irrigation Project Corporation Limited (₹27,990 crore) for Kaleshwaram Project. In view of the mention in the DPR of Kaleshwaram project that the Project would hardly generate any revenues, the Government would have to shoulder the responsibility of repaying the Loans taken by KIPCL in case it is unable to generate enough resources for servicing the debts.

⁵² ₹76,262 crore towards debt repayment, ₹87,354 crore for commitment towards delayed incomplete irrigation projects and ₹14,326 crore for ongoing irrigation projects

In the year 2018-19, the State Government has provided, *albeit* as a Loan, amounts for payment of interest and repayment of principal in respect of Telangana State Sheep and Goat Development Federation Corporation Limited (₹3,160 crore) for which it stood as a Guarantor.

The above indicates that there is a need for the State Government to undertake a study, supported by future projections, to measure its total fiscal commitments and the ability to meet them. Such study would help in risk assessment on its future borrowings or plan its receipts. It would also help in planning for Government's long-term debt servicing needs in view of longer-term borrowings.

1.8 Fiscal Reform Path

The State Government (combined State), in compliance with the recommendations of the Twelfth Finance Commission (TFC), enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 (amended in 2016).

1.8.1 Disclosures not made

Fiscal Responsibility and Budget Management (FRBM) Act, 2005 places an onus on the State Government to monitor and control the Fiscal Deficit. It also requires the State Government to make disclosures and statements under Section 10 of FRBM Act, 2005 together with Rule 6 of Fiscal Responsibility and Budget Management Rules, 2006.

The State Government, however, did not make the following four out of ten disclosures required to be made:

- Statement of Assets;
- Claims and commitments made by the Government on revenue demands raised but not realised;
- Liability in respect of major works and contracts, committed liabilities in respect of land acquisition charges and claims on State Government in respect of unpaid bills on works and supplies;
- Details of number of employees in Government, public sector and aided institutions and related salaries and pensions in the forms prescribed under FRBM Legislation.

1.8.2 Fourteenth Finance Commission Ceiling and achievements

Achievement of Government on key indicators in terms of targets prescribed by the XIV Finance Commission with regards to fiscal reform path is as below:

- As per XIV Finance Commission recommendations, the outstanding debt⁵³ to GSDP ratio (in *per cent*) was to be less than 23.33 *per cent* for the year 2018-19. The achievement of the Government was 22.75 *per cent*, which is well within the permissible limit.

⁵³ Total outstanding debt includes Public Debt and Public Account Liabilities

- The ceiling limit prescribed as per the XIV Finance Commission recommendations for Fiscal Deficit was 3.25 *per cent* of the GSDP (₹8,65,688 crore). The achievement in 2018-19 (₹26,949 crore) was 3.11 *per cent*, which is within the limit.

1.9 Apportionment of Assets and Liabilities between Andhra Pradesh and Telangana

As per the Andhra Pradesh State Reorganisation Act, 2014, the balances under Cumulative Capital Expenditure, Loans and Advances, Public Debt and the balances under Public Accounts are to be apportioned between Andhra Pradesh and Telangana States. The status of apportionment as on 31 March 2019 is as under (details are at *Appendix I.7*):

- Out of the outstanding un-apportioned balance of ₹17,082.77 crore available under Deposits and Advances, an amount of ₹4,478.89 crore was apportioned to Telangana and ₹8,129.83 crore was apportioned to Andhra Pradesh in 2018-19 leaving un-apportioned balance of ₹4,474.04 crore.
- An amount of ₹1,51,349.67 crore under Capital Heads, ₹28,099.69 crore under Loans and Advances, ₹4,474.04 crore under Deposits and Advances, ₹238 crore under Suspense and Miscellaneous and ₹310.24 crore under Remittances was yet to be apportioned even after more than five years of State Re-organisation. Major amounts under Capital Head pertain to Major Irrigation (₹87,707.44 crore) and Roads and Bridges (₹17,182.87 crore). Major amount under Loans and Advances pertain to Loans for Housing (₹13,182.17 crore).

As such the depicted assets and liabilities of the State Government in the Finance Accounts are affected to that extent.

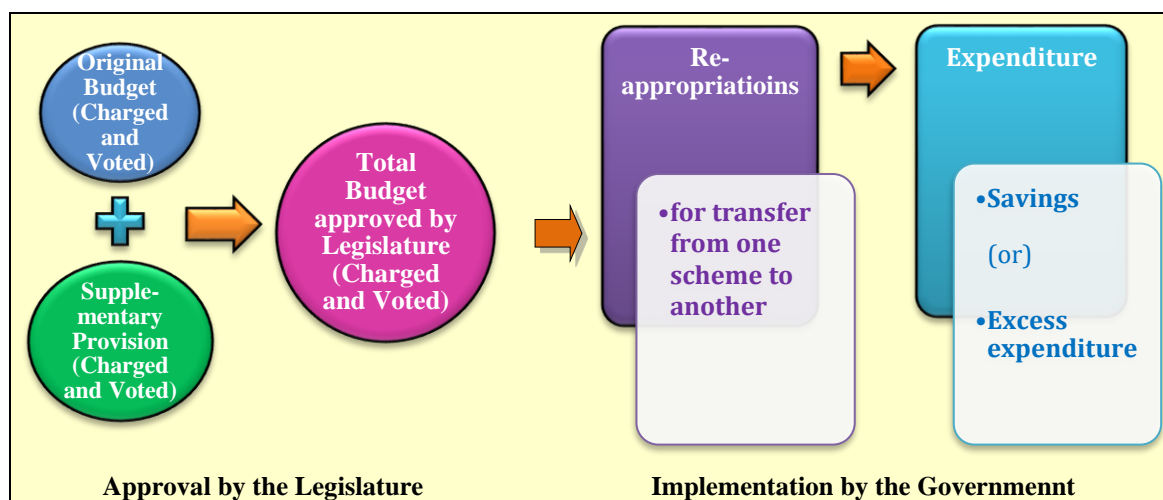
Chapter 2 Financial Management and Budgetary Control

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

2.1 Financial Accountability and Budget Management

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

Chart 2.1: Flow chart of budget implementation



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

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

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

³ Capital, Revenue and Loans sections

2.2 Summary of Appropriation Accounts

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

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

(₹ in crore)

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

Source: Appropriation Accounts

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

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

2.3 Analysis of Expenditure

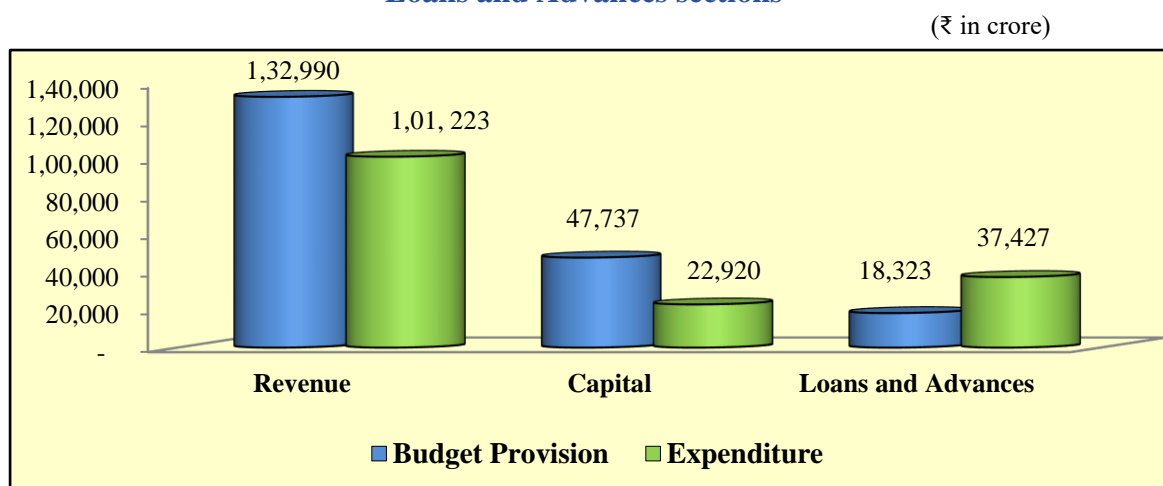
2.3.1. Revenue, Capital, Loans and Advances

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

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

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

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

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

Source: Appropriation Accounts

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

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

2.3.2. Grant-wise analysis

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

Table 2.2: Total excess or savings under different Grants

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

Source: Appropriation Accounts

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

2.3.2.1 Excess expenditure

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

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

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

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

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

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

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

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

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

Box 2.1: Expenditure without authorisation of the Legislature

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

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

These amounts were mainly spent on:

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

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

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

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

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts

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

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

2.3.2.2 Excess expenditure requiring regularisation

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

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

Table 2.4: Details of Excess expenditure to be regularised

(₹ in crore)

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

Source: Appropriation Accounts

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

2.3.2.3 Savings

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

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

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

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

Source: Appropriation Accounts

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

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

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

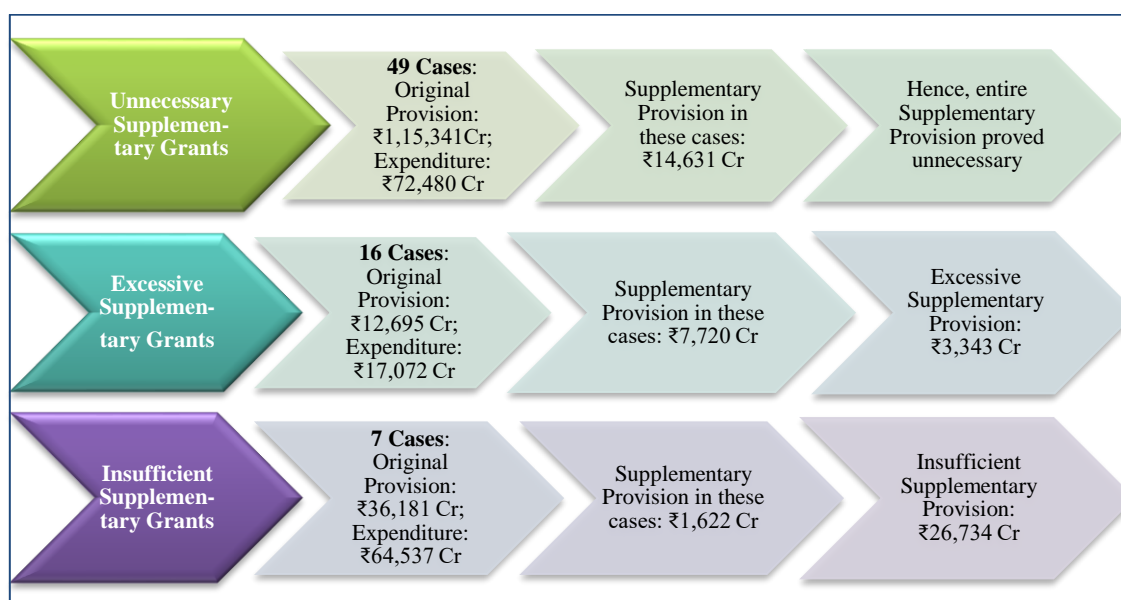
- Resettlement and Rehabilitation under Kaleshwaram Project (₹600 crore);
- Hyderabad Metro Airport Express under Urban Development (₹400 crore);
- Musi Riverfront Development under Urban Development (₹377.35 crore); and
- Vaddileni Runalu under Crop Husbandry (₹377.35 crore).

2.4 Supplementary Provisions

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

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

Chart 2.3: Unnecessary, Excessive and Insufficient Supplementary Provisions



Source: Appropriation Accounts

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

¹⁶ ₹14,631 crore + ₹3,343 crore

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

(₹ in crore)

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

Source: Appropriation Accounts

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

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

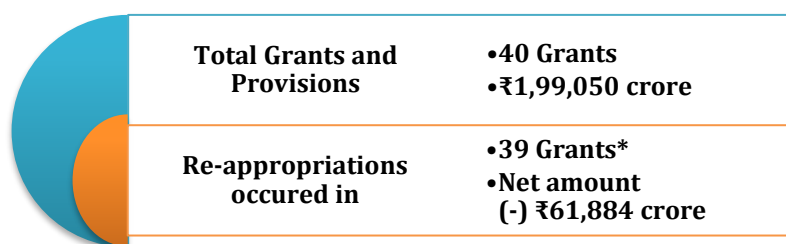
- Assistance to Telangana State Industrial Infrastructure Corporation for development of e-City Project at Raviryal (₹207.60 crore);
- Assistance to TSIIC for Electronic Manufacture Cluster project at Maheswaram (₹138.60 crore); and
- Safe City Project for safety of Women in Hyderabad City (Nirbhaya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

2.5 Re-appropriations

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

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

Chart 2.4: Re-appropriation in the overall budget



Source: Appropriation Accounts

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts

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

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

2.6 Rush of Expenditure

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

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

2.7 Advances from Contingency Fund

The Contingency Fund of the State established under Article 267 (2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, where upon the advances from the Contingency Fund are recouped to the Fund.

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

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

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

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

2.8 Review of selected Grants

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

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

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

(₹ in crore)

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

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

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

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

Source: Appropriation Accounts

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

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

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

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

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

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

2.9 Special Development Fund

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

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

2.10 Deficiencies in Budgeting

2.10.1. Improper Categorisation between Capital and Revenue

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

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

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

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts

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

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

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

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

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

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

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

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

A reliable financial reporting mechanism aids in exercise of controls on utilisation of funds. This Chapter provides an overview and status of compliance to various financial rules, procedures and directives during the year.

3.1 Personal Deposit Accounts

3.1.1 Personal Deposit Account framework

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts. PD Accounts are established in the following manner:

- Under statutory provisions of the Government or created under any law or rule having force of law by transferring funds from Consolidated Fund of the State for discharging liabilities of the Government arising of special enactments.
- PD Accounts may also be opened, in favour of specified Government Officers, by transferring fund from the Consolidated Fund of the State for discharging the liabilities of the State Government in respect of execution of various projects, schemes *etc.*

As per the Telangana Financial Code, the purpose of PD Accounts is to enable the Drawing Officers to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State.

Ordinarily, Government accords permission for opening of a PD Account under intimation to the Accountant General (A&E), Telangana. Except where the PD Accounts are created by law or rules having the force of law for discharging liabilities arising out of special enactments, other PD Accounts shall be closed at the end of the financial year.

Analysis of Audit revealed the following:

3.1.2 Opening of PD Accounts

Government orders (June 2005) stipulate that a requisition for opening a PD account should be forwarded through the Administrative Department of the Secretariat concerned, indicating the sources of the funds to the PD account and the nature of transactions to exclude the possibility of budgetary resources getting diverted to PD account. When the Government orders a PD account to be opened, the Directorate of Treasuries and Accounts (DTA) shall authorise the District Treasury Officer to assign a PD account number to the PD Administrator (PDA) and notify the Accountant General (Accounts and Entitlements). The Finance Department, however, did not furnish information on the PD accounts authorised to be opened during the period 2016-19.

Consequently, the extent of adherence to the procedural norms, could not be vouchsafed in Audit.

3.1.3 Status of PD Accounts in Telangana

In order to bring about a uniform treatment of PD accounts across States, a review was conducted by Comptroller and Auditor General of India in 2018. As per the review, the PD accounts have been aligned with the prescribed format of accounts as those operated under Major Head (MH) 8443 – Civil Deposits and Minor Head (MiH) 106 – Personal Deposits. As an outcome of the review, the State Government reported that 182 accounts (125 Operational and 57 in-operative accounts) classified under MH 8443–Civil Deposits – MiH 106 – Personal Deposits as indicated below shall come under the definition of PD Accounts.

Table 3.1: Details of PD accounts

Sl. No.	Description	No. of Accounts	Amount (₹ in crore)
1	Number of PD Accounts existing at the beginning of the year*	182	51.20
2	New PD Accounts opened during the year	--	702.07
3	PD Accounts closed during the year	--	717.74
4	PD Accounts existing at the end of the year	182	35.53

Source: Information furnished by Director of Treasuries and Accounts (DTA)

*No of PD accounts existing at the beginning of the year 2018-19 differs from the PD Accounts existing at the end of previous year 2017-18 due to clarification from the State Government that only the accounts opened under Head of Account 8443-106 shall be constituted as PD Accounts; as such all other Deposit Accounts have been omitted in the above table

The following were further observed in this regard:

- No Unique ID was assigned to the PD Administrators. All Deposit Accounts operated by each Designated Drawing Officers were being considered as separate PD accounts. This had resulted in proliferation of number of PD Accounts reported in earlier years (28,674 in 2017-18 and 28,087 in 2016-17).
- As per List of Major and Minor Heads, PD accounts are to be operated under Major Head of Account 8443 and Minor Head of Account 106-Personal Deposits. In respect of 2018-19, the DTA informed that there were 182 PD accounts in existence as per the above classification. However, there were 13,396 Category 'C'¹ Deposit Accounts operated under 10 Heads of Account² in 2018-19, out of which

¹ The State Government classified Deposit Accounts in to three Categories. Category A – Contains own sources; Receipts through devolution and transfers from other Governments; Category B – Receipts through securities collected for specific purposes; and Category C – Receipts through transfers from Consolidated Fund of the State.

² Major Head (MH) 8342 – Minor Head (MiH) 103, MH 8443- MiH 109, MH 8443 – MiH 111, MH 8443 – MiH 800, MH 8448 – MiH 102, MH 8448 – MiH 109, MH 8448 - MiH 110, MH 8448 – MiH 120, MH 8449 – MiH 120 and MH 8782 - MiH 103

52 Category ‘C’ accounts were test checked in audit. It was observed that all these test checked accounts were not under 8443-106, but were, however, operated as PD accounts. Hence, the number of PD accounts reported by DTA as 182 (mostly pertaining to Principals of schools, colleges, Ground Water Department *etc.*) for 2018-19 was at variance with the situation at field level. The number of PD accounts specified under Head of Account 8443-106 are very meagre and did not cover major activities like implementation of Government schemes, which are being operated through other Deposit Heads of Account through which huge amounts of funds are being spent.

As unspent amounts in the PD accounts are lapsable, operation of different Heads of Account makes it difficult to identify the balances and lapse the balances as per the norms prescribed, since other Deposit Accounts are also available under these Heads.

3.1.4 Operation of PD Accounts

The following were observed in operation of PD Accounts:

- Audit observed that amounts of ₹3,655 crore and ₹4,999 crore were transferred in the months of March 2018 and 2019 respectively from Consolidated Fund to Deposit accounts. Out of the above, ₹3,576 crore and ₹4,946 crore were transferred to Category “C” Deposit Accounts. This indicates that these PD accounts were being utilised to transfer funds at the fag end of financial year to avoid lapse of budget.
- Article 3 (1) of the Financial Code stipulates that expenditure should not be prima facie more than what the occasion demands. Transfers from Consolidated Fund to PD account is treated as expenditure from the Consolidated Fund, and hence any such transfer far in advance of requirement is in contravention of Article 3(1) of Financial Code. Further, Government instructions³ (September 2012) stipulated that there shall not be any transfer of funds from PD accounts to Fixed Deposit Receipt account.

PD Administrators of seven test checked accounts deposited an amount of ₹721.36 crore in Current Accounts (CA) / Savings Bank Accounts (SBA)/ Fixed Deposit Receipt (FDR) accounts in Banks during 2016-17 to 2018-19. These accounts earned interests amounting to ₹20.39 crore, which were utilised for purposes such as meeting employee costs like pay and allowances, administrative expenditure *etc.*

- As per Subsidiary Rule 2 of Treasury Code, Fully Vouched Contingent Bill (FVCB) Form ‘58’ is used for payment of services already availed or goods received. Scrutiny of vouchers pertaining to District Treasury Officer, Hyderabad (Urban) for the year 2018-19 revealed that the DDOs of 10 Departments drew ₹1,745.45 crore in 76 cases for transferring money from Consolidated Fund to PD accounts by using

³ Memo No.351/B1/DCM.II/2012, dated 04 September 2012

FVCB Form '58' without enclosing required details of services already availed or goods received. As amounts transferred from Consolidated Fund to PD account are lapsable, use of FVCB Form '58', meant for expenditure already incurred through services availed or goods received, impacts transparency in accounting.

Box 3.1: Diversion of Funds

Funds transferred to PD accounts were diverted in respect of two test checked cases for other purposes.

- An amount of ₹27.04 crore for purchase of Medical equipment was diverted for pay and allowances of staff by Nizam's Institute of Medical Sciences.
- In another test checked case, Hyderabad Metropolitan Development Authority (HMDA) utilised an amount of ₹29.15 crore (sanctioned in June 2017) for works undertaken by Roads and Building Department towards creation of additional facilities in Pragathi Bhavan from out of the Loans given to HMDA for taking up development activities. However, HMDA did not offer its remarks as to how the works relating to additional facilities in Pragathi Bhavan came under the purview of developmental activities for which loan amounts were approved by the Legislature.

3.1.5 Lapsing of amounts in PD accounts and closing of PD Accounts

Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the Annual Financial Statement / Budget. Not transferring the unspent balances lying in PD Accounts to the Consolidated Fund before the closure of the financial year violates Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself. According to para 17.1 of Budget Manual, an appropriation authorised by the Legislature is operative only until the close of the financial year; any unspent balance lapses and is not available for utilisation in the following year. As per Article 271 (iii) (4)⁴ Financial Code, PD accounts are to be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund of the State⁵. The account may be opened again in the following year, if necessary, in the usual manner⁶.

The following was observed with regard to lapsing of amounts in the PD accounts and closing of PD accounts:

⁴ Memo. No. 1596/Accts./5y-4, Dt. 31-12-1959

⁵ except, where personal deposits are created by Law or rules having the force of law for discharging the liabilities arising out of special enactments

⁶ Personal Deposit Accounts in connection with the working of schemes of commercial and quasi-commercial nature and schemes whose transactions spread over more than one financial year, need not be closed at the end of the financial year. Such Deposit Accounts should be closed when the need for them ceases

- **Lapsing of amounts under PD Accounts in the next financial year:** Government orders of April 2000 provided that amounts released to Category ‘C’ Deposit Accounts for execution of specific schemes sanctioned by Government are lapsable. These Orders, however, stipulated that the funds released during a particular financial year shall lapse by 31 March of the next financial year. Thus, the Government Orders were at variance with the provisions of Article 202 of the Constitution, Budget Manual, Telangana Financial Code and Legislative intent.
 - Audit observed that unspent balances in seven cases amounting to ₹467.38 crore⁷ in Category ‘C’ Deposit accounts pertaining to 2018-19, which should have been lapsed in view of the spirit of Article 202 of the Constitution, Budget Manual and Financial Code were not lapsed at the end of 2018-19.
 - Audit also observed that even Government orders of April 2000 that unspent balances would be lapsed at the end of next financial year were also not complied with and unutilised funds in five cases amounting to ₹309.64 crore⁸ pertaining to previous financial years (2016-17 and 2017-18) were not lapsed even at the end of 2018-19.

Since transfers by the Government to PD accounts *i.e.*, transfers to Public Account is considered as expenditure from the Consolidated Fund, any unutilised amount in the PD accounts after the close of the financial year would only distort the magnitude of expenditure figures in the Government accounts. Further, non-transfer of unspent balances lying in PD Accounts to Consolidated Fund is fraught with the risk of misuse of public fund, fraud, and mis-appropriation.

- **Lapsing of amounts under PD Accounts as Revenue Receipts :** The Government Orders (April 2000), stipulated that the funds remaining unspent till the end of the subsequent financial year are to be credited to Minor Head – Other Receipts (800) under Departmental Receipt Major Head. Government orders (March 2016) regarding lapsing of funds for the year 2015-16 further stipulated that if the Treasury Officer was unable to find out the Departmental Receipt Major Head, then the unspent balances shall be remitted under Major Head 0075 – Miscellaneous General Services.

⁷ (i) Telangana State Housing Corporation limited (₹209.26 crore), (ii) Telangana State Backward Classes Cooperative Finance Corporation Limited (₹5.92 crore), (iii) Telangana State Seeds Development Corporation (₹228.00 crore), (iv) Hyderabad Road Development Corporation Limited (₹2.73 crore), (v) Telangana Most Backward Classes Cooperative Finance Corporation limited (₹1.21 crore), (vi) Chief Planning Officer, Nalgonda (₹0.26 crore), and (vii) District Collector, Sircilla (₹20.00 crore)

⁸ (i) Telangana State Housing Corporation limited (2016-17: ₹0.30 crore, 2017-18: ₹287.50 crore), (ii) Telangana State Backward Classes Cooperative Finance Corporation Limited (2016-17: ₹4.04 crore, 2017-18: ₹3.25 crore), (iii) Hyderabad Road Development Corporation Limited (2017-18: ₹12.64 crore), (iv) Telangana Most Backward Classes Cooperative Finance Corporation limited (2017-18: ₹1.85 crore), and (v) Chief Planning Officer, Nalgonda (2017-18: ₹0.06 crore)

As per the information furnished (November 2019) by DTA, amounts of ₹321 crore and ₹2,606 crore⁹ were lapsed and credited to Government account as Revenue Receipts in March 2018 and March 2019 respectively instead of as minus debit to the corresponding service Head of Account.

As transfer from Consolidated Fund to PD accounts *i.e.*, Public Account has already been treated as expenditure, crediting the unspent balance to Receipts Heads not only contradicts instructions of Financial Code, but also results in overstatement of both Receipts and Expenditure.

Box 3.2: Incorrect lapsing of funds pertaining to Badangpet Municipality

As per Government Orders (April 2000), the Deposit accounts of the Local Bodies wherein own receipts such as taxes, other fees and user charges are collected directly from the public under the provisions of their statutes and by-laws, are to be classified as Category 'A' Deposit Accounts. These Local Bodies may also receive statutory devolutions and statutory Grants. The Deposit Accounts under Category 'A' are non-lapsable.

As per Government Orders of April 2000, Badangpet Municipality, which is a Local Body, was assigned a PD account under Category 'C' instead of Category 'A', for reasons not on record.

It was observed in audit that the Government has lapsed balance of ₹1.72 crore available in the PD account of Commissioner, Badangpet Municipality (Commissioner) at the end of March 2019. Commissioner stated (February 2020) that lapsing of this amount, collected from public to be spent on developmental works, was not correct. The Commissioner also stated that the grounds on which the amounts were lapsed were not known.

Such lapsing of funds belonging to the third tier of Governance *i.e.*, Municipality would adversely affect their performance.

3.1.6 Inoperative PD Accounts

As per Article 271 (iii) (4) of Financial Code, if a PD account is not operated for a considerable period and there is a reason to believe that the need for the deposit account has ceased, the same should be closed in consultation with the officer in whose favour the deposit account has been opened. These orders were, however, not complied with and the following were observed:

⁹ from 493 accounts in March 2018; from 527 accounts in March 2019

- Out of the 125 PD accounts, informed by DTA as operational under Head of Account 8443-106, there was no expenditure in respect of 76 accounts in 2017-18 and 2018-19 and they have a balance of ₹1.27 crore at the beginning of 2019-20.
- Out of the above 76 accounts, there were no receipts in 40 accounts, but they had a cumulative opening balance of ₹0.68 crore from 2017-18 onwards.
- Out of these 40 accounts, there were 12 accounts with ‘Nil’ balance.

Recommendation 8: Government may consider assigning a Unique ID to each PD Administrator. Government may review its orders of April 2000 to align them with Budget Manual and Financial Code. State Government may review Category ‘C’ Deposit Accounts being operated as PD accounts and bring them under the relevant Head of Account. State Government may also initiate action to close the inoperative PD accounts.

3.2 Opaqueness in Accounts

Rule 29 of Government Accounting Rules, 1990, stipulates that as a general rule, the classification of transactions in Government accounts shall have closer reference to the function, programme and activity of the Government and the object of the revenue or expenditure, rather than the Department in which the revenue or expenditure occurs. Minor Head - 800 relating to Other Receipts and Other Expenditure is intended to be operated when the appropriate minor heads are not available. Routine operation of Minor Head - 800 is to be discouraged, as it renders the accounts opaque.

Transactions under this Minor Head during the years 2018-19 and 2017-18 are detailed in **Table 3.2**.

Table 3.2: Receipts and Expenditure under Minor Head - 800

Year	Receipts ¹⁰ (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Receipts under Minor Head 800 ₹ in crore (per cent)	Expenditure ¹¹ (₹ in crore)	No. of Major Heads under which Minor Head - 800 is operated	Expenditure under Minor Head - 800 - ₹ in crore (per cent)
2017-18	88,824	47	3,555 (4)	1,09,267	45	13,214 (12)
2018-19	1,01,420	44	5,957 (6)	1,19,724	44	21,011 (18)

Source: Finance Accounts

The following are observed:

- The use of omnibus Minor Head in monetary value has increased in comparison to previous year. The increase in the operation of Minor Head 800 in 2018-19 is substantial, despite the fact that this issue has been continuously reported in the previous reports of the Comptroller and Auditor General of India, on State Finances of Telangana.

¹⁰ Revenue Receipts

¹¹ Both Revenue and Capital

The fact that such substantial proportion of the receipts / expenditure is classified under Minor Head - 800 is a cause for concern, as it impacts transparency.

- In respect of 12 Receipt Major Heads like Tourism, Urban Development and Minor Irrigation, entire Receipts totalling to ₹62 crore were classified under Minor Head - 800 – Other Receipts (details in *Appendix 3.1*).
- In respect of six Expenditure Heads, expenditure totalling to ₹1,468 crore was classified under Minor Head 800 – Other expenditure (details in *Appendix 3.2*). Capital Outlay on Roads and Bridges alone was ₹1,300.59 crore under Minor Head - 800.
- In respect of 11 Major Heads, receipts amounting to ₹2,836.73 crore, (details in *Appendix 3.3*) and in respect of 6 Major Heads, expenditure amounting to ₹13,192.14 crore, (details in *Appendix 3.4*), substantial proportion *i.e.*, 50 per cent or more were classified under Minor Head 800 – Other Receipts / Expenditure.
- In respect of two receipt Major Heads *viz.*, Miscellaneous General Services (₹2,660.71 crore) and State Goods and Services Tax (₹1,913.43 crore), the Receipts classified under Minor Head 800 was more than ₹1,000 crore in each case. Accounting huge receipts under Other Receipts adversely impacts the quality of reporting of the Receipts.
- In respect of five¹² Revenue Expenditure Major Heads, the expenditure classified under Minor Head - 800 was more than ₹1,000 crore in each case.

3.2.1 Use of omnibus Minor Head - 800 despite availability of specific Minor Heads

It was observed in audit that Omnibus Minor Head - 800 (with the relatable sub-head) was operated despite availability of specific Minor Head in the following cases (*Table 3.3*):

¹² (i) Crop Husbandry (₹8,151.02 crore), (ii) Power (₹3,710.96 crore), (iii) Welfare of SC and ST (₹2,424.45 crore), (iv) Nutrition (₹1,432.40 crore) and (v) Capital outlay on Roads and Bridges (₹1,300.59 crore)

Table 3.3: Use of Minor Head 800 with relatable sub-head despite availability of relatable specific Minor Head

(₹ in lakh)

Sl. No.	Classification under Minor Head - 800	Description of sub-head used	Related specific Minor Head to be used	Related specific Minor Head Description	No. of cases	Amount
Receipts						
1	0070-60-800-25	Receipts under Right to Information Act, 2005	0070-60-118	Receipts under Right to Information Act, 2005	135	1.39
2	0202-04-800-01	Receipts of the Department of Archaeology	0202-04-101	Archives and Museums	98	64.34
Expenditure						
1	2403-00-800-08	Veterinary services and Animal Health	2403-00-101	Veterinary services and Animal Health	65	466.93
2	2405-00-800-05	National scheme for welfare of Fishermen	2405-00-121	Welfare schemes for Fishermen	1	247.50

Source: Finance Accounts

Classifying the receipts and expenditure under omnibus Minor Head - 800, despite availability of specific Minor Head indicates wrong depiction of Government Accounts. Also, it may be noted, as discussed in *paragraph 2.10.2*, that the Government has been opening new sub-heads every year without the concurrence of Accountant General (A&E). The Government opened 18 new sub-heads in 2018-19 without prior concurrence of the AG (A&E). Total provision made under these sub-heads was ₹13,891 crore. Obtaining concurrence of Accountant General (A&E) before opening new sub-heads helps in avoiding such duplications and incorrect classifications.

Recommendation 9: *The Finance Department may, in consultation with the Accountant General (A&E), conduct a comprehensive review of all the items presently appearing under Minor Head – 800 - ‘Other Expenditure’ and ensure that, in future, all such receipts and expenditure are booked under appropriate Heads of Account to avoid opaqueness in the accounts.*

3.3 Compliance to Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Telangana in 2018-19 and deficiencies therein are detailed in *Table 3.4*:

Table 3.4: Compliance to Accounting Standards

Sl. No.	Accounting Standard	Compliance by State Government	Deficiencies noticed in compliance
1	IGAS 1: <i>Guarantees Given by the Government – Disclosure requirements</i>	Not complied (Statements 9 and 20 of Finance Accounts)	Detailed information like number of Guarantees for each institution was not furnished. The Statements are incomplete to that extent. <i>(please refer to paragraph 1.7.2 - for further audit findings on Guarantees)</i>
2	IGAS 2: <i>Accounting and Classification of Grants-in-Aid</i>	Not complied (Statement 10 of Finance Accounts)	Certain Grants-in-Aid were classified under Capital section in contrast to the Accounting Standards <i>(please refer to paragraph 1.3.1, Table 1.4)</i>
3	IGAS 3: <i>Loans and Advances made by Governments</i>	Not complied (Statement 18 of Finance Accounts)	Details not confirmed by the State Government. Detailed information of overdue Principal and interest was not furnished. Confirmation of balances of individual Loanee was not furnished. <i>(please refer to paragraph 1.6.3 for further audit findings on Loans and Advances)</i>

Source: Indian Government Accounting Standards and Finance Accounts

Non-compliance to Accounting Standards would impact the objective of financial statements to present a true and fair view of the financial position, financial performance and cash flows apart from hindering fiscal transparency.

3.4 Submission of Annual Accounts by Autonomous Bodies

Sections 19 and 20 of “Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971” (CAG’s DPC Act) facilitate certification of Accounts of Autonomous Bodies (ABs) set up by the State Governments.

There were 24 ABs which were to submit their Annual Accounts to CAG for certification of Accounts under Section 19 and 20 of the CAG’s DPC Act, before 30 June every year. None of the 24 ABs have submitted their Annual Accounts in time. There were delays ranging from one to nine years in submission of Accounts (**Table 3.5**).

Table 3.5: Age-wise details of delay in submission of Annual Accounts of Autonomous Bodies

Sl. No	Delay in Number of Years	No. of Bodies/ Authorities
1	1	6
2	2-3	9
3	4-5	5
4	6-7	2
5	8-9	2
Total		24

The following are observed:

- Metropolitan Legal Services Authority and Telangana State Group Life Insurance did not submit even their first Annual Accounts since 2010-11 and 2014-15 respectively, as of December 2019.

- Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) did not submit annual accounts from 2010-11 onwards. Despite non-rendering of accounts for nine years, the Government has been providing loans and guarantees to HMWSSB. The State Government has provided ₹874.80 crore as Loans to HMWSSB in 2018-19 alone. The total loans outstanding as of March 2019 stood at ₹5,932.30 crore. Further, the value of guarantees given by State Government to HMWSSB also increased from ₹3,399 crore (March 2018) to ₹3,487 crore (March 2019).

In the absence of rendering of annual accounts, there is likelihood of cases of misclassification and wrong accounting procedures going un-noticed. A case in point is comparison of accounts of State Government and Arogyasri Health Care Trust (AHCT). While the accounts of State Government depict a loan of ₹276.28 crore and Grants-in-Aid of ₹222.60 crore to Arogyasri Health Care Trust (AHCT) in 2017-18, the annual accounts of AHCT for 2017-18 depict that it has received ₹182.05 crore in the form of Advances and ₹461.38 crore in the form of Grants-in-Aid. Such aberrations/misrepresentations might go undetected if the annual accounts are not submitted in time.

Delay in submission of annual accounts dilutes accountability and impacts the purpose of preparation of accounts. There is a need for the State Government to ensure that the Autonomous Bodies receiving Loans, Guarantees or Grants prepare and submit their annual accounts timely, so as to ensure that financial misrepresentations or irregularities, if any, do not go undetected.

3.5 Submission of Utilisation Certificates

Effective Budget controls aid in transparency of accounts and help in watching the proper utilization of Grants provided for various schemes/programs. As per Article 211-A.2 of TS Financial Code, the Departmental Officers are responsible for certifying to the Accountant General (A&E) about the fulfilment of conditions attached to the utilisation of the Grant. The Utilisation Certificates (UCs) should be furnished in such form and at such intervals as may be agreed between AG (A&E) and the Head of Department concerned.

Utilisation Certificates for Grants in respect of seven sanctions (amounting to ₹421.84 crore) in respect of three schemes out of 11 sanctions (amounting to ₹1,015.33 crore) pertaining to Municipal Administration and Urban Development Department, for which sanctions were accorded with a stipulation that the Grant receiving authority shall submit UCs to AG (A&E), have become due and have not yet been received as of December 2019. Details shown in **Table 3.6** below:

Table 3.6: Schemes for which UCs not received

(₹ in crore)

S. No	Name of the Scheme	Year of Grant	Total GIA released	UCs submitted	Balance
1	AMRUT& Smart Cities	2016-17	374.97	--	374.97
2	JNNURM	2016-17	18.12	--	18.12
3	Swachh Bharat	2016-17	28.75	--	28.75
	Total		421.84		421.84

Source: Information furnished by AG (A&E)

- Audit observed that Grants-in-Aid of ₹500.00 crore was released to the Telangana State Housing Corporation Limited (TSHCL) (September 2018) towards the scheme 'Construction of Two Bed Room Houses to the Rural poor'. As per the Appropriation Accounts, in the month of March 2019, ₹468.00 crore was withdrawn by the Government and expenditure of ₹32.00 crore only was incurred towards the scheme. However, UC for ₹500.00 crore was submitted by TSHCL (May 2019), stating that the amount has been utilised fully. The UC furnished was faulty.

Pendency in submission of UCs is fraught with risk of fraud and mis-appropriation of funds.

Further, it was observed that the Grant receiving authorities in respect of MA & UD Department only were instructed to furnish Utilisation Certificates to Accountant General (A&E). Similar instructions in respect of sanctions pertaining to other Departments for monitoring by AG (A&E) were not forthcoming.

Recommendation 10: State Government may ensure that sanctions in respect of specific purpose Grants pertaining to other Departments may also include a stipulation regarding furnishing of UCs to AG (A&E).

3.6 Submission of Detailed Contingent bills

Financial Rules¹³ permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules¹⁴ and Government orders¹⁵ stipulate that all advances drawn on AC bills should be adjusted by submitting the Detailed Contingent bills (DC bills) with supporting vouchers within one month. As of March 2019, there were 2,969 AC bills amounting to ₹340.39 crore, which remained un-adjusted due to non-submission of DC bills as shown in **Table 3.7** below:

¹³ Article 99 of Telangana Financial code

¹⁴ SR18 below TR 16

¹⁵ GO No.391, dt.22-03-2002 and 507, dt.10-04-2002

Table 3.7: Year-wise details of AC bills pending adjustment

Year	As of March 2018		As of March 2019	
	No. of AC Bills	Amount (₹ in crore)	No. of AC Bills	Amount (₹ in crore)
Up to 2014	641	81.64	548	75.21
2014-15	349	99.00	273	49.06
2015-16	393	39.38	256	24.47
2016-17	447	42.40	255	35.28
2017-18	334*	18.03*	589	21.37
2018-19	--	--	1,048*	135.00*
Total	2,164	280.45	2,969	340.39

Source: Accountant General (A&E), Telangana

* Information reflects data upto December of the respective years

The number of AC bills awaiting adjustment as of March 2019 (2,969 bills amounting to ₹340.39 crore) has increased in comparison to previous year (2,164 bills amounting to ₹280.45 crore). Further, the drawal of AC bills has increased substantially in 2018-19.

Out of 2,969 AC bills pending adjustment, 1,651 AC bills amounting to ₹193.54 crore (**57 per cent**) were pending adjustment by three Departments¹⁶ in which DC bills for more than ₹10 crore in each case were awaited as of March 2019.

365 AC bills amounting to ₹30.12 crore pertaining to the period prior to bifurcation of the State were still pending.

Advances drawn and not accounted for increase the possibility of wastage / mis-appropriation / malfeasance *etc.*

3.7 Un-reconciled Receipts and Expenditure

Government Orders¹⁷ and Financial Rules¹⁸ stipulate that expenditure recorded in the books of Chief Controlling Officers (CCOs) of Departments is to be reconciled with the books of the Accountant General (Accounts and Entitlements) every month. Reconciliation enables the CCOs to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts.

A sum of ₹18,943.16 crore of receipts, *i.e.*, 19 *per cent* of total Revenue Receipts (₹1,01,420.16 crore) remained un-reconciled in 2018-19 (**Appendix 3.5**). Similarly, expenditure of ₹21,435.71 crore, *i.e.*, 18 *per cent* of total expenditure (₹1,19,723.61 crore)¹⁹ remained un-reconciled. Non-reconciliation impacts the assurance that all the receipts/expenditures have properly been taken to the final Head of Account.

¹⁶ Revenue – 1,473 AC Bills (₹161.71 crore); Panchayat Raj & Rural Department – 134 AC Bills (₹15.08 crore); Planning Department – 44 AC Bills (₹16.75 crore)

¹⁷ GO Ms .No. 507 of Finance(TFR)Department dated 10 April 2002

¹⁸ Article 9 of State Financial Code

¹⁹ Total Expenditure for 2018-19 as per Finance Accounts

- There were five CCOs who did not reconcile receipts of ₹100 crore and above as shown in (**Table 3.8**) below. The total of such un-reconciled receipts in 2018-19 was ₹18,667.06 crore.

Table 3.8: CCOs with highest un-reconciled receipts

S. No.	Name of the CCO	Amount (₹ in crore)
1	Commissioner of Commercial Taxes	10,512.41
2	Commissioner, Prohibition and Excise	4,757.92
3	Commissioner of Industries	2,721.82
4	Director, Mines and Geology (Non-Ferrous Mining and Metallurgical Industries)	390.78
5	Commissioner and Inspector General of Stamps and Registration	284.13
Total		18,667.06

Source: Information obtained from Accountant General (A&E), Telangana

- Similarly, there were 25 CCOs who did not reconcile expenditure of ₹100 crore and above (**Appendix 3.6**). The total of such un-reconciled expenditure was ₹19,235.53 crore. Out of these, six CCOs did not reconcile expenditure of more than ₹1,000 crore as shown in **Table 3.9** below. The total of such un-reconciled expenditure was ₹11,782.70 crore, which amounted to 55 per cent of the total un-reconciled expenditure.

Table 3.9: CCOs with highest un-reconciled expenditure

Sl. No.	Name of the CCO	Amount (₹ in crore)
1	Commissioner, Social Welfare, D.S. Samkshema Bhavan	3,974.21
2	Director of School Education	2,379.70
3	Commissioner, Tribal Welfare, D.S. Samkshema Bhavan	2,180.28
4	Secretary, Energy Department	1,203.66
5	Commissioner, BC Welfare, D.S. Samkshema Bhavan	1,039.89
6	Commissioner, Panchayat Raj	1,004.96
Total		11,782.70

Source: Information obtained from Accountant General (A&E), Telangana

Periodical and regular reconciliation of accounts is necessary to provide accuracy and consistency in financial accounts.

3.8 Follow up action on Audit Reports

As per the instructions issued by Finance and Planning Department in November 1993, Administrative Departments are required to submit Explanatory Notes within three months of presentation of Audit Reports to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken.

Finance Department furnished (July 2018) Explanatory Notes for Audit Report on State Finances for the year 2016-17. Finance Department, however, did not furnish Explanatory Notes for Audit Reports on State Finances for the years 2017-18, 2015-16 and 2014-15 as of January 2020.



(SUDHA RAJAN)

Accountant General (Audit), Telangana

Hyderabad

The 29 July 2020

Countersigned



(RAJIV MEHRISHI)

Comptroller and Auditor General of India

New Delhi

The 31 July 2020

Appendices

Appendix 1.1

Profile of Telangana

(Refer paragraph on State Profile, page 1)

A General Data						
Sl. No	Particulars				Figures	
1	Area				1,11,851 sq. km	
2	Population				-	
	a.	As per 2001 Census			3.10 crore	
	b.	As per 2011 Census			3.50 crore	
3	a.	Density of Population (as per 2001 Census) (All India Density = 325 persons per Sq. km.)			270 persons per Sq.km	
	b.	Density of Population (as per 2011 Census) (All India Density = 382 persons per Sq.km.)			312 persons per Sq.km.	
4	Population Below Poverty Line (BPL) 2011-12 (All India Average=21.9 per cent)				9.2	
5	a.	Literacy (as per 2001 Census) (All India Average=64.86 per cent)			58 per cent	
	b.	Literacy (as per 2011 Census) (All India Average=73.00 per cent)			66.5 per cent	
6	Infant mortality (per 1000 live births) (All India Average = 33 per 1,000 live births) (2012-16)				28	
7	Life Expectancy at birth ((All India Average = 68.7 years)				71.3	
8	Gini Coefficient					
	a.	Rural (All India = 0.29)			0.28	
	b.	Urban (All India = 0.38)			0.38	
9	Gross State Domestic Product (GSDP) 2018-19 at current price				₹ 8,65,688 crore	
10	Per capita GSDP CAGR (2011-12 to 2018-19)		Telangana		12.26	
			General Category States		10.99	
11	GSDP CAGR (2011-12 to 2018-19)		Telangana		13.38	
			General Category States		12.23	
12	Population Growth (2009 to 2019)		Telangana		8.43	
			General Category States		12.46	
B Financial Data						
Compounded Annual Growth Rate			Particulars			
			General Category States (2013-14 to 2017-18)	Telangana (2014-15 to 2017-18)	General Category States (2017-18 to 2018-19)	Telangana (2017-18 to 2018-19)
(in per cent)						
a.	of Revenue Receipts		13.54	20.28	12.77	14.18
b.	of Tax Revenue		11.17	24.85	12.72	14.11
c.	of Non -Tax Revenue		7.48	6.67	19.78	27.88
d.	of Total Expenditure		13.86	31.95	12.73	11.04
e.	of Capital Expenditure		15.35	41.86	11.93	(-)5.28
f.	of Revenue Expenditure on Education		10.69	21.63	9.38	(-)6.07
g.	of Revenue Expenditure on Health		17.59	24.38	11.09	3.02
h.	of Salary and Wages		10.47	23.54	11.03	1.51
i.	of Pension		13.83	41.52	14.31	(-)3.81

Appendix 1.2

Structure of Government Accounts and layout of Finance Accounts

(Refer introductory paragraph to Chapter 1, page 1)

Part A: Structure of Government Accounts

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund: All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: The Contingency Fund of the State established under Article 267 (2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorization by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account: Receipts and disbursements in respect of certain transactions such as small Savings, provident funds, reserve funds, deposits, suspense, remittances *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature.

Part B: Layout of Finance Accounts

Statement No.	Layout
01	Statement of Financial Position
02	Statement of Receipts & Disbursements
	Annexure - Cash Balances and Investments of Cash Balances
03	Statement of Receipts(Consolidated Fund)
04	Statement of Expenditure(Consolidated Fund)
05	Statement of Progressive Capital Expenditure
06	Statement of Borrowings and Other Liabilities
07	Statement of Loans and Advances given by the Government
08	Statement of Investments of the Government
09	Statement of Guarantees given by the Government
10	Statement of Grants-in-Aid given by the Government
11	Statement of Voted and Charged Expenditure
12	Statement on Sources and Application of funds for expenditure other than on Revenue Account
13	Summary of Balances under Consolidated Fund, Contingency Fund and Public Account
	Notes to Accounts
14	Detailed Statement of Revenue and Capital Receipts by Minor Heads
15	Detailed Statement of Revenue Expenditure by Minor Heads
16	Detailed Statement of Capital Expenditure by Minor Heads and Sub Heads
17	Detailed Statement of Borrowings and Other Liabilities
18	Detailed Statement of Loans and Advances given by the State Government
19	Detailed Statement of Investments of the Government
20	Detailed Statement of Guarantees given by the Government
21	Detailed Statement of Contingency Fund and other Public Account transactions
22	Detailed Statement of Investments of Earmarked Funds
Appendices	In addition to the above 22 statements Finance Accounts also contain 13 appendices giving the details on salaries, subsidies, Grants-in-Aid – scheme-wise and institution –wise, details of externally aided projects, scheme-wise expenditure in respect of major Central Schemes and State Plan Schemes <i>etc.</i>

Appendix 1.3
Abstract of Receipts and Disbursements in 2018-19
(Refer paragraph 1.2 and 1.6.4; pages 1 and 32)

(₹ in crore)

Receipts			Disbursements		
	BE	Actuals		BE	Actuals
Section-A: Revenue					
I. Revenue Receipts	1,30,975	1,01,420	I. Revenue Expenditure	1,25,455	97,083
Tax revenue	72,252	64,674	General Services	32,479	34,199
			Social Services	55,366	39,721
Non-tax revenue	8,974	10,007	Education, Sports, Art and Culture	12,530	11,503
			Health and Family Welfare	6,423	4,912
State's share of Union Taxes	20,707	18,561	Water Supply, Sanitation, Housing and Urban Development	9,078	3,220
Non-Plan Grants	18,770	---	Information and Broadcasting	447	270
Grants for State Plan Schemes	10,272	---	Welfare of SCs, STs, OBCs and Minorities	14,503	8,822
Grants for Central and Centrally sponsored Plan Schemes	---	5,508	Labour and Labour Welfare	388	166
Finance Commission Grants	---	1,806	Social Welfare and Nutrition	11,835	10,709
Other Transfers/Grants to States	---	864	Others	162	119
			Economic Services	37,577	23,158
			Agriculture and allied Activities	16,896	12,601
			Rural Development	3,658	2,857
			Irrigation and Flood Control	8,249	389
			Energy	5,052	4,983
			Industry and Minerals	1,547	751
			Transport	1,154	872
			Science, Technology and Environment	20	7
			General Economic Services	1,001	698
			Grants-in-Aid and Contributions	33	5
II. Revenue deficit carried over to Section B	---	---	II. Revenue Surplus carried over to Section B	5,520	4,337
Section-B: Others					
III. Opening Cash balance including Permanent Advances and Cash Balance Investment	312	6,993	III. Opening Overdraft from RBI	---	---
IV. Miscellaneous Capital receipts	---	---	IV. Capital Outlay	33,369	22,641
			General Services	2,182	703
			Social Services	6,655	5,620
			Education, Sports, Art and Culture	545	279
			Health and Family Welfare	1,092	463
			Water Supply, Sanitation, Housing and Urban Development	2,864	4,253
			Welfare of Scheduled Castes, Scheduled Tribes,	2,105	618

State Finances Audit Report for the year ended March 2019

			Other Backward Classes and Minorities		
			Social Welfare and Nutrition	41	6
			Others	8	1
			Economic Services	24,532	16,318
			Agriculture and allied Activities	356	1,012
			Rural Development Programme	3,699	1,996
			Irrigation and Flood Control	14,419	9,118
			Energy	---	2,400
			Industry and Minerals	103	67
			Transport	2,617	1,024
			General Economic Services	3,338	701
V. Recoveries of Loans and Advances	7,807	66	V. Loans and Advances disbursed	9,036	8,706
From Power Projects	401	---	For Power Projects	598	250
From Government Servants	36	65	To Government Servants	145	57
From others	7,370	1	To Others	8,293	8,399
VI. Revenue Surplus brought down	5,520	4,337	VI. Revenue deficit brought down	---	---
VII. Public Debt receipts	33,200	50,962	VII. Repayment of Public Debt	6,594	28,716
Internal Debt other than Ways and Means Advances and Overdraft	32,400	28,705	Internal debt other than Ways and Means Advances and Overdraft	6,191	6,059
Net transactions of Ways and Means Advances including Overdraft	---	21,823	Net transactions of Ways and Means Advances including Overdraft	---	21,823
Loans and Advances from Central Government	800	434	Repayment of Loans and Advances to Central Government	403	834
VIII. Net of Inter-State Settlement	---	---	VIII. Net of Inter-State Settlement	---	5
IX. Appropriation to Contingency Fund	---	---	IX. Appropriation to Contingency Fund	---	---
X. Amount recouped to Contingency Fund	---	0.09	X. Expenditure from Contingency Fund (remained un-recouped)	---	2.10
XI. Public Account Receipts	69,766	1,14,152	XI. Public Account disbursements	67,266	1,09,222
Small Savings and Provident Funds	2,500	2,427	Small Savings and Provident Funds	1,400	1,582
Net Reserve Funds	15,874	1,598	Net Reserve Funds	15,653	68
Net Suspense and Miscellaneous	---	29,672	Net Suspense and Miscellaneous	---	30,332
Remittances	---	17,860	Remittances	---	17,746
Deposits and Advances	51,392	62,595	Deposits and Advances	50,213	59,494
XII. Closing Overdraft from Reserve Bank of India	---	---	XII. Closing Cash Balance	340	7,218
			Cash in Treasuries and Local Remittances	---	2.07
			Deposits with Reserve Bank and other Banks	---	(-) 93
			Departmental cash balance including permanent advances	---	0.30
			Cash balance investment and investment of earmarked funds	---	7,309
Total	2,47,580	2,77,930	Total	2,47,580	2,77,930

Appendix 1.4

Time Series Data on State Government Finances

(Refer paragraph 1.2; page 1)

(₹in crore)

		2014-15	2015-16	2016-17	2017-18	2018-19
Part A Receipts						
1	Revenue Receipts	51,042(99.85)	76,134(99.88)	82,818(99.81)	88,824(99.84)	1,01,420(99.93)
	(i) Tax Revenue	29,288(57.38)	39,975(52.51)	48,408(58.44)	56,520(63.63)	64,674(63.77)
	State Goods and Services Tax	---	---	---	13,073(23.13)	23,840(36.86)
	Taxes on Sales, Trade, etc.	22,121(75.53)	29,847(74.66)	34,235(41.33)	25,107(44.42)	20,291(31.37)
	State Excise	2,808(9.59)	3,809(9.53)	5,581(6.74)	9,421(16.67)	10,638(16.45)
	Taxes on Vehicles	1,618(5.52)	2,309(5.78)	3,394(4.09)	3,590(6.35)	3,762(5.82)
	Stamps and Registration fees	2,177(7.43)	3,102(7.76)	3,822(4.61)	4,202(7.43)	5,344(8.26)
	Land Revenue	9(0.03)	104(0.26)	7(0.01)	4(0.01)	0.42(0)
	Other Taxes	555(1.89)	804(2.01)	1,369(1.65)	1,123(1.99)	799(1.24)
	(ii) Non-Tax Revenue	6,447(12.63)	14,414(18.93)	9,782(11.79)	7,825(8.81)	10,007(9.87)
	(iii) State's share in Union taxes and duties	8,189(16.04)	12,351(16.22)	14,876(17.93)	16,420(18.49)	18,561(18.30)
	(iv) Grants-in-Aid from GOI	7,118(13.95)	9,394(12.34)	9,752(11.81)	8,059(9.07)	8,178(8.06)
2	Misc. Capital Receipts	0(0)	0(0)	0(0)	0(0)	0(0)
3	Recovery of Loans and Advances	77(0.15)	88(0.12)	156(0.19)	138(0.16)	66(0.07)
4	Total revenue and Non-debt capital receipts (1+2+3)	51,119(84.22)	76,222(81.33)	82,974(64.93)	88,962(64.41)	1,01,486(66.57)
5	Public Debt Receipts	9,580(15.78)	17,498(18.67)	44,819(35.07)	49,153(35.59)	50,962(33.43)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	9,494(99.10)	16,465(94.10)	31,775(70.89)	25,595(52.07)	28,705(56.33)
	Net transactions under Ways and Means Advances and Overdraft	0(0)	112(0.64)	12,088(26.97)	22,922(46.63)	21,823(42.82)
	Loans and Advances from Government of India	86(0.90)	921(5.26)	956(2.13)	636(1.30)	434(0.85)
6	Total Receipts in the Consolidated Fund (4+5)	60,699(21.41)	93,720(52.04)	1,27,793(53.95)	1,38,115(56.46)	1,52,448(57.19)
7	Contingency Fund receipts	50(0.02)	0(0)	0(0)	0(0)	0.09(0)
8	Public Account receipts	2,22,579(78.56)	86,385(47.96)	1,09,094(46.05)	1,06,511(43.54)	1,14,152(42.81)
9	Total Receipts of Government (6+7+8)	2,83,328	1,80,105	2,36,887	2,44,626	2,66,600
Part B Expenditure/Disbursement						
10	Revenue Expenditure	50,673(83.72)	75,896(79.82)	81,432(68.87)	85,365(73.81)	97,083(75.59)
	Plan	14,063(27.75)	21,240(27.99)	24,580(30.18)	0(0)	0(0)
	Non-plan	36,610(72.25)	54,656(72.01)	56,852(69.82)	85,365(100)	97,083(100)
	General Services (including interest payments)	14,164(27.95)	23,247(30.63)	25,125(30.85)	30,872(36.16)	34,199(35.23)
	Social Services	18,753(37.01)	30,466(40.14)	35,286(43.33)	37,260(43.65)	39,721(40.91)
	Economic Services	17,644(34.82)	22,043(29.04)	20,949(25.73)	17,200(20.15)	23,158(23.85)
	Grant-in-Aid and contributions	112(0.22)	140(0.18)	72(0.09)	33(0.04)	5(0.01)
11	Capital Expenditure	8,373(13.83)	13,590(14.29)	33,371(28.22)	23,902(20.66)	22,641(17.63)
	Plan	8,373(100.00)	13,590(100)	33,366(99.99)	0(0)	0(0)
	Non-plan	0(0)	0(0)	5(0.01)	23,902(100)	22,641(100)
	General Services	406(4.85)	274(2.02)	567(1.70)	565(2.36)	703(3.11)
	Social Services	905(10.81)	2,152(15.84)	3,162(9.47)	2,851(11.93)	5,620(24.82)
	Economic Services	7,062(84.34)	11,164(82.14)	29,642(88.83)	20,486(85.71)	16,318(72.07)

State Finances Audit Report for the year ended March 2019

12	Disbursement of Loans and Advances	1,483(2.45)	5,233(5.50)	3,402(2.88)	6,209(5.37)	8,706(6.78)
13	Net of Inter-State Settlement	0	359	50(0.03)	186(0.16)	5(0)
14	Total (10+11+12+13)	60,529 (97.15)	95,078 (97.09)	1,18,255(88.37)	1,15,662(80.81)	1,28,435(81.73)
15	Repayment of Public Debt	1,727(2.77)	2,845(2.91)	15,568(11.63)	27,471(19.19)	28,716(18.27)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	1,727(100.00)	2,582(90.76)	2,717(17.45)	4,137(15.06)	6,059(21.10)
	Net transactions under ways and Means Advances and Overdraft	0(0)	112(3.93)	12,088(77.65)	22,922(83.44)	21,823(76)
	Loans and Advances from Government of India	0(0)	151(5.31)	763(4.90)	412(1.50)	834(2.90)
16	Appropriation to Contingency Fund	50(0.08)	0(0)	0(0)	0(0)	0(0)
17	Total disbursement out of Consolidated Fund (14+15+16)	62,306(78.54)	97,923(54.76)	1,33,823(55.95)	1,43,133(59.20)	1,57,151(58.99)
18	Contingency Fund Disbursements	0(0)	0(0)	0.09(0)	0(0)	2.10(0.01)
19	Public account disbursement	2,20,971(78)	80,909(45.24)	1,05,368(44.05)	98,664(40.80)	1,09,222(41)
20	Total disbursement by the state (17+18+19)	2,83,277	1,78,832	2,39,191	2,41,797	2,66,375
Part C Deficits						
21	Revenue Deficit(-)/Surplus(+) (1-10)	369	238	1,386	3,459	4,337
22	Fiscal Deficit(-)/Surplus (+) (4-14)	(-9,410)	(-18,856)	(-35,281)	(-26,700)	(-26,949)
23	Primary Deficit (-)/Surplus (+) (22-24)	(-4,183)	(-11,298)	(-26,672)	(-15,864)	(-14,363)
Part D Other Data						
24	Interest Payments (included in Revenue Expenditure)	5,227	7,558	8,609	10,836	12,586
25	Financial Assistance to local bodies etc.	20963	29,058	30,648	30,416	37,908
26	Ways and Means Advances/Overdraft availed (days)	0	4	99	7	32
27	Interest on Ways and Means Advances/Overdraft	0	0.04	7	14	15
28	Gross State Domestic Product (GSDP) [#]	5,05,849	5,77,902	6,59,033	7,53,811	8,65,688
29	Outstanding fiscal liabilities (year-end) ^{@s}	79,880	97,992	1,34,738	1,65,849	1,96,963
30	Outstanding guarantees (year-end) [%]	18,265	26,619	29,965	41,892	77,713
31	Maximum amount guaranteed (yearend)	21,240	28,094	31,871	41,892	77,713
32	Number of incomplete projects [^]	109	23	92	19	20
33	Capital blocked in incomplete projects [^]	33,001	24,224	50,216	70,758	1,00,494
Part E Fiscal Health Indicators						
I	Resource Mobilization					
	Own Tax revenue/GSDP	0.058	0.069	0.073	0.075	0.075
	Own Non-Tax revenue/GSDP	0.013	0.025	0.015	0.010	0.012
	Central transfers/GSDP	0.030	0.038	0.037	0.033	0.031
II	Expenditure Management					
	Total expenditure/GSDP	0.123	0.169	0.203	0.190	0.182
	Total Expenditure/Revenue Receipts	1.186	1.249	1.428	1.611	1.550
	Revenue Expenditure/ Total Expenditure	0.837	0.739	0.689	0.596	0.618
	Expenditure on Social Services/Total Expenditure	0.344	0.395	0.349	0.280	0.289

	Expenditure on Economic Services/Total Expenditure	0.413	0.354	0.432	0.263	0.251
	Capital Expenditure/Total Expenditure	0.138	0.143	0.282	0.167	0.144
	Capital Expenditure on Social and Economic Services/ Total Expenditure	0.132	0.141	0.277	0.163	0.140
III	Management of Fiscal Imbalances					
	Revenue Deficit (surplus)/GSDP	0.0007	0.0004	0.0021	0.005	0.005
	Fiscal Deficit/ GSDP	(-)0.0186	(-)0.0326	(-)0.0535	(-)0.035	(-)0.031
	Primary Deficit/ GSDP	(-)0.0083	(-)0.0195	(-)0.0405	(-)0.021	(-)0.017
	Revenue Surplus/Fiscal Deficit	(-)0.039	(-)0.013	(-)0.039	(-)0.130	(-)0.161
	Primary Revenue Balance/ GSDP	0.0112	0.0136	0.0154	0.019	0.020
IV	Management of Fiscal Liabilities					
	Fiscal liabilities/ GSDP	0.158	0.170	0.204	0.221	0.228
	Fiscal liabilities/RR	1.564	1.287	1.627	1.867	1.942
	Primary deficit <i>vis-à-vis</i> quantum spread	NA	NA	NA	NA	NA
	Debt Redemption: (Principal + Interest)/Total Debt Receipts	0.734	0.594	0.540	0.77	0.80
V	Other Fiscal Health Indicators					
	Return on Investment	35.08	5.19	0.54	0.62	0.48
	Balance from Current Revenue	-				
	Financial Assets/Liabilities	0.198	0.351	0.502	0.595	0.658

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

NA – Not Available

GSDP data from Directorate of Economics and Statistics, Government of Telangana

® Nomenclature and its components were changed so as to show total liabilities of Government (*i.e.* Public debt and other obligations) as per revised format of Chapter-I.

^ The information is not exhaustive but is as furnished by the Departmental authorities.

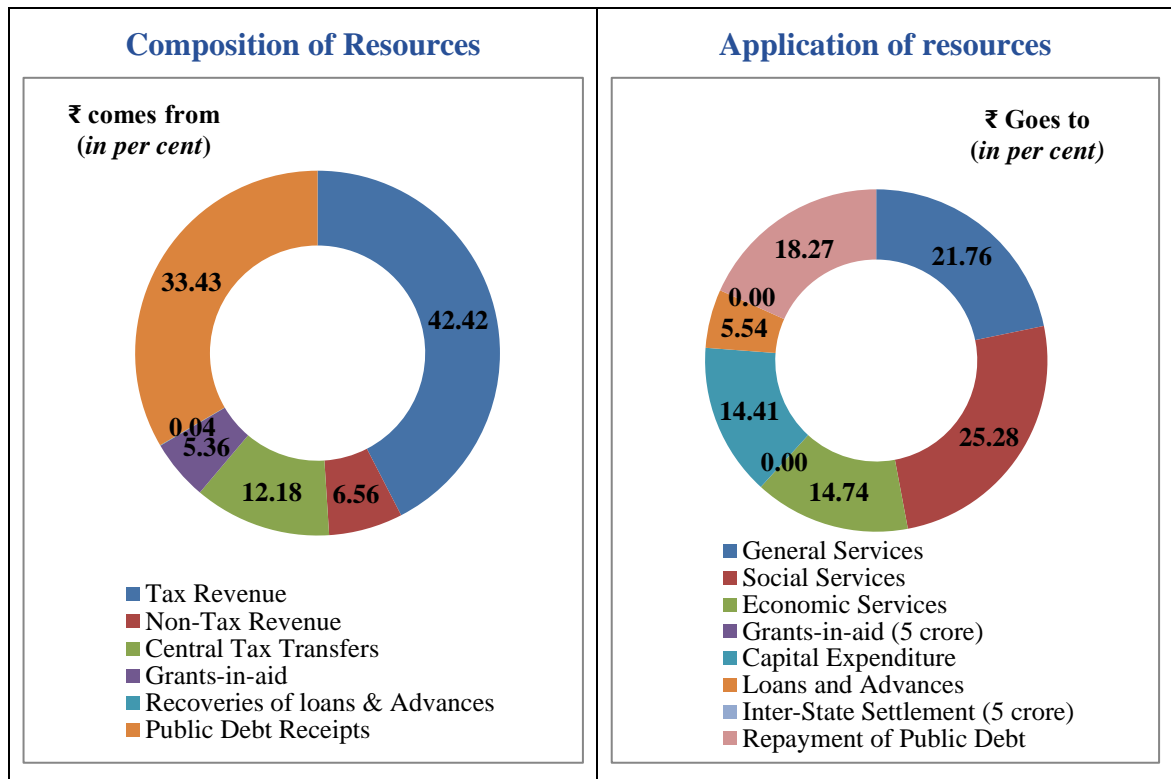
\$ Excluding un-apportioned balances retained with successor state of Andhra Pradesh as per AP Reorganisation Act 2014.

% As disclosed Budget documents

Appendix 1.5

Composition and application of resources in the Consolidated Fund of the State

(Refer paragraph 1.2; page 3)



Appendix 1.6

Summarised financial position of the Government of Telangana as on 31 March 2019

(Refer paragraph 1.6; page 27)

(₹ in crore)

As on 31 March 2018	Liabilities	As on 31 March 2019	
1,34,287	Internal Debt		1,56,934
1,11,536	Market Loans bearing interest	1,33,719	
0.20	Market Loans not bearing interest	0.12	
0	Market Loans Suspense	0	
85	Loans from LIC	72	
19	Loans from GIC	16	
3,746	Loans from NABARD	4,546	
9,227	Loans from other Institutions	9,721	
9,674	Special securities issued to NSSF	8,860	
-	Ways and Means Advances	-	
-	Overdraft from Reserve Bank of India	-	
8,631	Loans and Advances from Central Government		8,230
-	Pre 1984-85 Loans	-	
19	Non-Plan Loans	16	
8,612	Loans for State Plan Schemes	7,144	
-	Loans for Central Plan Schemes	-	
-	Loans for Centrally Sponsored Plan Schemes	-	
-	Other loans for States/Union Territories with Legislature schemes	1,070	
-	Other Ways and Means Advances	-	
50	Contingency Fund		50
9,272	Small Savings, Provident Funds, etc.		10,117
12,138	Deposits		19,714
6,158	Reserve Funds		7,688
871	Suspense and Miscellaneous Balances		201
16	Remittance Balances		131
1,71,423	Total		2,03,065
	Assets		
79,236	Gross Capital Outlay on Fixed Assets		1,01,876
16,365	Investments in shares of Companies, Corporations, Cooperatives, etc.	19,754	
62,871	Other Capital Outlay	82,122	
0.09	Contingency Fund (un-recouped)		2.10
15,869	Loans and Advances		24,509
538	Loans for Power Projects	788	
15,234	Other Development Loans	23,633	
97	Loans to Government servants and Miscellaneous loans	88	

(-) 20	Advances		(-) 23
0	Remittance Balances		0
0	Suspense and Miscellaneous Balances		0
6,993	Cash		7,218
2.07	Cash in Treasuries and Local Remittances	2.07	
76.03	Deposits with Reserve Bank and other Banks	(-) 93.29	
0.30	Departmental Cash Balance	0.30	
2,277.42	Cash Balance Investments	1,589	
4,637.09	Investment of Earmarked funds	5,720	
69,345	Deficit on Government Account		69,483
1,71,423	Total		2,03,065

Appendix 1.7

Summarised position of Apportionment of balances between Andhra Pradesh and Telangana as on 31 March 2019

(Refer paragraph 1.9; page 43)

(₹ in crore)

Sl. No.	Head of Account	Balance as on 01 June 2014	Balance allocated to Telangana	Balance allocated to Andhra Pradesh	Balance yet to be apportioned as on 31 March 2019
1	Capital Heads	1,51,349.67	0	0	1,51,349.67
2	Public Debt	1,66,522.32	69,479.48	97,123.93	(-) 81.09
3	Loans and Advances	28,099.69	0	0	28,099.69
4	Small Savings, Provident Funds	14,077.84	6,097.54	7,980.30	0
5	Reserve Funds	2,459.06	1,008.81	1,450.25	0
6	Deposits and Advances	17,082.77	4,478.89	8,129.84	4,474.04
7	Suspense And Miscellaneous	6,234.24	2,495.81	3,500.43	238
8	Remittances	339.47	2.32	26.92	310.23

Appendix 2.1

Top five Grants with high Savings and Excess expenditure

(Refer paragraph 2.3.2; page 48)

(₹ in crore)

Grants with High Savings			Grants with Excess expenditure		
Grant No.	Grant Name	Savings	Grant No.	Grant Name	Excess
XXXIII CV	Major and Medium Irrigation	(-) 11,243.45	IX LC	Fiscal Administration, Planning, Surveys and Statistics	21,076.44
XXXIII RV	Major and Medium Irrigation	(-) 7,830.68	IX RV	Fiscal Administration, Planning, Surveys and Statistics	3,990.45
XXI RV	Social Welfare	(-) 4,539.33	XXI LV	Social Welfare	1,500.00
XXVII RV	Agriculture	(-) 4,178.21	XXII LV	Tribal Welfare	900.00
XVII RV	Municipal Administration and Urban Development	(-) 4,034.91	IX RC	Fiscal Administration, Planning, Surveys and Statistics	794.72
TOTAL		(-) 31,826.58			28,261.61

CV: Capital Voted; LC: Loans charged; RV: Revenue Voted; LV: Loans voted; RC: Revenue Charged

Appendix 2.2

Excess expenditure against amounts authorised by the Legislature during the year

(Refer paragraph 2.3.2.1; page 49)

(₹ in crore)

Sl.No.	Grant No.	Name of the Grant or appropriation	Total Grant	Expenditure	Excess expenditure
1	V CV	Revenue, Registration and Relief	16.32	19.38	3.06
2	VI RV	Excise Administration	227.20	254.55	27.35
3	IX LC	Fiscal Administration, Planning, Surveys and Statistics	7,639.20	28,715.64	21,076.44
4	IX RC	Fiscal Administration, Planning, Surveys and Statistics	11,793.77	12,588.49	794.72
5	IX RV	Fiscal Administration, Planning, Surveys and Statistics	12,880.90	16,871.35	3,990.45
6	X RV	Home Administration	5,097.69	5,870.94	773.25
7	XXI LV	Social Welfare	0.00	1,500.00	1,500.00
8	XXII LV	Tribal Welfare	0.00	900.00	900.00
9	XXIX CV	Forest, Science, Technology and Environment	148.29	216.71	68.42
Total			37,803.37	66,937.06	29,133.69

CV: Capital Voted; RV: Revenue Voted; LC: Loans charged; RC: Revenue Charged; LV: Loans voted;

Appendix 2.3

Cases of Expenditure incurred without approval of the Legislature

(Refer paragraph 2.3.2.1; page 49)

(₹ in crore)

Sl.No.	Grant No.	Head Of Account	Sub Head Description	Total Grant-O+S	Re-Appropriation	Expenditure
1	I	2071-01-111-34	Pension allocable to successor State of Telangana	0.00	0.00	7.70
2	IV	4070-00-800-42	Purchase of Vehicles to Chief Electoral Officer	0.00	1.35	3.13
3	VII	3604-00-103-04	Assignments to Local Authorities	0.00	4.93	4.93
4	IX	7810-00-125-00	Andhra Pradesh and Telangana	0.00	0.00	5.30
5	IX	2052-00-090-15	Assistance to Telangana State IAS Officers Institute	0.00	5.00	5.00
6	IX	2071-01-103-34	Pension allocable to successor State of Telangana	0.00	0.00	4.82
7	IX	2071-01-104-15	Retirement Gratuity and Death Gratuity to employees covered under NPS	0.00	0.00	0.08
8	IX	2071-01-105-14	Post-bifurcation Family Pensions allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	0.00	0.00	159.40
9	IX	2071-01-115-34	Amount Allocable to successor State of TS	0.00	0.00	203.95
10	IX	2071-01-800-06	Medical Reimbursement of all types of Pensioners	0.00	0.00	133.97
11	IX	2071-01-800-07	Pensioners PRC arrears	0.00	0.00	103.22
12	X	4055-00-207-31	Nationwide Emergency Response System	0.00	0.00	25.00
13	X	4055-00-207-38	Police Stations as Citizen Friendly Service Delivery Units (Rachakonda)	0.00	0.00	0.57
14	X	4055-00-207-40	Backbone for Citizen Centric Traffic Management	0.00	0.00	0.19
15	XI	3054-04-797-04	Subvention From Central Road Fund	0.00	279.08	279.08
16	XV	2204-00-104-05	Assistance to Telangana State Sports School	0.00	2.27	2.27

17	XVI	2210-01-110-96	Add-Charges transferred from 06 P.H. towards repairs of Motor Vehicles of Primary Health Centers on Pro-rata basis	0.00	0.00	0.49
18	XVI	2210-06-101-97	Add Charges	0.00	0.00	0.26
19	XVI	2211-00-104-97	Add Charges Transferred from SMH 06 towards repairs of Motor Vehicles under Family Welfare	0.00	0.00	1.74
20	XXI	6225-01-800-07	Loans to SC Development Corporation	0.00	0.00	1500.00
21	XXII	4225-02-277-75	Buildings for School Complexes	0.00	2.37	0.96
22	XXII	6225-02-800-14	Loans to TRICOR	0.00	0.00	900.00
23	XXVII	4401-00-119-05	Development of Horticulture Colleges	0.00	0.00	0.15
24	XXVII	2851-00-797-04	Transfer to Sericulture Development Fund	0.00	0.00	0.20
25	XXIX	2406-01-101-06	Conservation of Natural Resources and Eco System	0.00	0.08	0.08
26	XXXI	2235-60-104-04	Deposit Linked Insurance Scheme	0.00	0.00	1.29
27	XXXII	2515-00-797-04	Transfer to Rural Development Fund	0.00	145.00	144.85
28	XXXIII	4700-80-800-06	Project Establishment under TILIP	0.00	0.00	0.02
29	XXXIII	4711-01-103-27	Canals and Distributaries	0.00	0.41	0.41
30	XXXIII	2700-01-110-26	Dam and Appurtenant Works	0.00	1.62	1.62
31	XXXIII	2700-01-800-04	Project Establishment under Chief Engineer, Major Irrigation	0.00	0.00	0.00*
32	XXXIV	2702-03-101-10	Construction of New Minor Irrigation Tanks under ILIP	0.00	0.00	0.01#
33	XXXV	6801-00-205-10	Loans to Transco for Modernisation and Strengthening of Transmission system in Hyderabad Metropolitan Area	0.00	0.00	16.10
34	XXXVIII	3456-00-103-08	Strengthening of Price Monitoring Cell (PMC)	0.00	0.00	0.38
TOTAL				0.00	442.11	3,507.17

* Actual Expenditure is ₹6,156 rounded off to crore

Actual Expenditure is ₹50,000 rounded off to crore

Appendix 2.4

Grants/Appropriations where saving was more than ₹100 crore each and more than 20 per cent of the total provision

(Refer paragraph 2.3.2.3; page 51)

(₹ in crore)

Sl. No	Grant No.	Name of the Grant or appropriation	Total Grant	Expenditure	Saving	In Per cent
Revenue Voted						
1	III	Administration of Justice	672.45	435.04	(-)237.41	(-)35.30
2	IV	General Administration and Elections	810.72	615.46	(-)195.26	(-)24.08
3	V	Revenue, Registration and Relief	2,196.23	1,637.59	(-)558.65	(-)25.44
4	XI	Roads, Buildings and Ports	1,380.53	1,047.67	(-)332.85	(-)24.11
5	XIII	Higher Education	1,972.35	1,321.08	(-)651.28	(-)33.02
6	XVI	Medical and Health	6,085.90	4,075.03	(-)2,010.86	(-)33.04
7	XVII	Municipal Administration and Urban Development	5,996.57	1,961.65	(-)4,034.91	(-)67.29
8	XVIII	Housing	2,220.72	623.47	(-)1,597.25	(-)71.92
9	XIX	Information and Public Relations	458.07	269.74	(-)188.33	(-)41.11
10	XX	Labour and Employment	828.76	607.19	(-)221.57	(-)26.73
11	XXI	Social Welfare	11,814.28	7,274.95	(-)4,539.33	(-)38.42
12	XXII	Tribal Welfare	6,814.27	4,655.22	(-)2,159.04	(-)31.68
13	XXIII	Backward Classes Welfare	5,764.78	3,544.07	(-)2,220.70	(-)38.52
14	XXIV	Minority Welfare	2,096.55	1,265.62	(-)830.93	(-)39.63
15	XXV	Women, Child and Disabled Welfare	1,838.19	1,202.14	(-)636.06	(-)34.60
16	XXVII	Agriculture	13,407.82	9,229.61	(-)4,178.21	(-)31.16
17	XXVIII	Animal Husbandry and Fisheries	743.92	517.29	(-)226.63	(-)30.46
18	XXXI	Panchayat Raj	3,153.15	2,301.31	(-)851.84	(-)27.02
19	XXXIII	Major and Medium Irrigation	8,204.25	373.57	(-)7,830.68	(-)95.45
20	XXXVI	Industries and Commerce	1,685.42	481.57	(-)1,203.85	(-)71.43
21	XXXVIII	Civil Supplies Administration	1,929.25	1,509.43	(-)419.82	(-)21.76
Capital Voted						
22	IX	Fiscal Administration, Planning, Surveys and Statistics	2,494.10	495.22	(-)1,998.88	(-)80.14
23	X	Home Administration	1,351.35	301.43	(-)1,049.92	(-)77.69

24	XI	Roads, Buildings and Ports	4,052.38	1,484.21	(-)2,568.17	(-)63.37
25	XII	School Education	490.26	194.31	(-)295.96	(-)60.37
26	XVI	Medical and Health	1,147.71	462.82	(-)684.89	(-)59.67
27	XXI	Social Welfare	1,371.64	248.70	(-)1,122.94	(-)81.87
28	XXII	Tribal Welfare	1,417.91	307.94	(-)1,109.97	(-)78.28
29	XXIII	Backward Classes Welfare	642.50	331.18	(-)311.32	(-)48.45
30	XXVII	Agriculture	1,108.35	769.35	(-)339.00	(-)30.59
31	XXXIII	Major and Medium Irrigation	19,200.93	7,957.48	(-)11,243.45	(-)58.56
32	XXXIV	Minor Irrigation	2,782.96	1,080.34	(-)1,702.62	(-)61.18
33	XXXVI	Industries and Commerce	237.49	65.66	(-)171.83	(-)72.35
Loans Voted						
34	IX	Fiscal Administration, Planning, Surveys and Statistics	191.40	62.10	(-)129.30	(-)67.55
35	XVII	Municipal Administration and Urban Development	2,105.50	1,051.30	(-)1,054.2	(-)50.07
36	XXXIII	Major and Medium Irrigation	2,316.78	-	(-)2,316.78	(-)100.00
37	XXXV	Energy	598.24	249.67	(-)348.57	(-)58.27
Revenue Charged						
38	V	Revenue, Registration and Relief	153.70	27.54	(-)126.16	(-)82.08
Capital Charged						
39	XI	Roads, Buildings and Ports	169.37	12.35	(-)157.02	(-)92.71
Total			1,21,906.76	60,050.32	(-)6,1856.44	

Appendix 3.1

Cases where entire Receipts were booked under omnibus Minor Head - 800 in 2018-19

(Refer paragraph 3.2; page 68)

(₹ in crore)

Sl. No.	Major Head	Major Head Description	Total Revenue Receipts	Revenue Receipts under Min Head 800	Per cent
1	1452	Tourism	18.51	18.51	100
2	0217	Urban Development	8.60	8.60	100
3	0801	Power	7.75	7.75	100
4	0702	Minor Irrigation	5.72	5.72	100
5	1456	Civil Supplies	4.68	4.70	100
6	1053	Civil Aviation	4.03	4.03	100
7	0701	Medium Irrigation	3.90	3.90	100
8	0235	Social Security and Welfare	3.83	3.83	100
9	0506	Land Reforms	3.02	3.02	100
10	0515	Other Rural Development Programmes	1.45	1.45	100
11	0056	Jails	0.27	0.27	100
12	0211	Family Welfare	0.23	0.23	100
		TOTAL	62.02	62.02	

Appendix 3.2

Cases where almost entire expenditure booked under omnibus Minor Head - 800 in 2018-19

(Refer paragraph 3.2; page 68)

(₹ in crore)

Sl. No.	Major Head	Major Head Description	Total Expenditure	Expenditure in Minor Head	Per cent
1	5054	Capital Outlay on Roads and Bridges	1,024.23	1,300.59	127*
2	4070	Capital Outlay on Other Administrative Services	144.25	144.25	100
3	2810	New and Renewable Energy	15.64	15.64	100
4	2875	Other Industries	6.00	6.00	100
5	4405	Capital Outlay on Fisheries	1.02	1.02	100
6	2701	Medium Irrigation	0.09	0.09	100
		TOTAL	1,191.00	1,468.00	

* Percentage figure is more than 100 as total expenditure under the Major Head is reduced mainly due to recoveries in other Minor Heads (Expenditure under Minor Head 800 Other Expenditure: ₹1,300.59 crore; Minor Head 902: (-)₹279.08 crore, Minor Head 337 Road works: ₹3.48 crore, Minor Head 796 Tribal Sub Plan: ₹3.46 crore)

Appendix 3.3

Cases where more than 50 per cent of Receipts were booked under omnibus Minor Head - 800 for the year 2018-19

(Refer paragraph 3.2; page 68)

(₹ in crore)

Sl. No.	Major Head	Major Head Description	Receipts under Major Head	Receipts under Minor Head-800	Percentage
1	0425	Co-operation	10.09	9.97	98.81
2	1054	Roads and Bridges	34.08	33.53	98.39
3	0700	Major Irrigation	31.59	30.88	97.75
4	0058	Stationery and Printing	1.58	1.49	94.30
5	0401	Crop Husbandry	14.01	12.94	92.36
6	0220	Information and Publicity	0.24	0.22	91.67
7	0059	Public Works	11.58	8.72	75.30
8	0406	Forestry and Wild Life	60.62	41.70	68.79
9	0075	Miscellaneous General Services	3,885.33	2,660.72	68.48
10	0029	Land Revenue	0.42	0.28	66.67
11	0049	Interest Receipts	59.51	36.28	60.96
		Total	4,109.05	2,836.73	

Appendix 3.4

Cases where more than 50 per cent of Expenditure was booked under omnibus Minor Head - 800 for the year 2018-19

(Refer paragraph 3.2; page 68)

(₹ in crore)

Sl No.	Major Head	Major Head Description	Expenditure under Major Head	Expenditure under Minor Head-800	Percentage
1	2801	Power	4,967.00	3,710.96	74.71
2	2401	Crop Husbandry	11,297.66	8,151.02	72.15
3	5475	Capital Outlay on other General Economic Services	701.03	485.22	69.22
4	2501	Special Programmes for Rural Development	602.73	382.66	63.49
5	2851	Village and Small Industries	133.46	74.74	56
6	3054	Roads and Bridges	702.45	387.54	55.17
		Total	18,404.33	13,192.14	

Appendix 3.5

Statement of Un-reconciled Receipts of Telangana for the year 2018-19

(Refer paragraph 3.7; page 73)

Sl. No.	Chief Controlling Officer	Major Head	Amount (₹ in crore)
1	Commissioner of Commercial taxes	0040	10,512.41
2	Commissioner, Prohibition & Excise	0039	4,757.92
3	Commissioner of Industries	0853	2,721.82
4	Non-Ferrous Mining & Metallurgical industries	0853	390.78
5	Commissioner and Inspector General of Stamps & Registration	0030	284.13
6	Commissioner of Commercial Taxes	0040	68.33
7	Forestry and Wild Life	0406	60.44
8	Major Irrigation	0070	47.83
9	Major and Medium Irrigation	0700	31.44
10	Commissioner of Tourism and Culture	1452	15.83
11	Public Works	0059	9.67
12	Education, Sports, Art and Culture	0202	7.37
13	Taxes on Goods and Passengers	0042	6.80
14	Minor Irrigation	0702	5.66
15	Other Economic Services	1475	5.00
16	Major and Medium Irrigation	0701	3.90
17	Other Taxes on Income & Expenditure	0028	2.71
18	Roads and Bridges	1054	2.01
19	Social Security and Welfare	0235	1.51
20	Water Supply and Sanitation	0215	1.38
21	Social Security	0235	1.23
22	Public Works	0059	1.02
23	Commissioner And Ex-Officio Secretary, CAF&CS	1456	0.75
24	Other Rural Development Programmes	0515	0.68
25	Other Social Services	0250	0.60
26	Commissioner of Commercial Taxes	0045	0.59
27	Assistant Secretary, Energy Department	0801	0.46
28	Education, Sports, Art And Culture	0202	0.28
29	Housing	0216	0.22
30	Commissioner of Rural Development & Commissioner of Panchayat Raj and Rural Development	0515	0.14
31	Other Administrative Services	0700	0.12
32	Police	0055	0.10
33	Forestry and Wild Life	0406	0.06
34	Commissioner of Industries	0851	0.03

35	Non-Ferrous Mining & Metallurgical Industries	0853	0.03
36	Housing	0216	0.02
37	Chief Engineer of I & CAD	0702	0.02
38	Other Administrative Services	0070	0.01
39	Engineer-In-Chief, R&B	1054	0.00
40	Commissioner of Industries	0875	0.00
41	Chief Commissioner of Land Administration	0029	(-) 0.14
	TOTAL		18,943.16

Appendix 3.6

Statement of Un-reconciled Revenue Expenditure of ₹ 100 crore above
for the year 2018-19

(Refer paragraph 3.7; page 74)

Sl. No.	Chief Controlling Officer	Major Head	Un-reconciled amount (₹ in crore)
1	School Education –HoD, Director Of School Education, Saifabad	2202	2,238.70
2	Commissioner Social welfare, DS Samkshema Bhavan	2401	1,461.19
3	Secretary, Energy Department, Telangana State Secretariat	2801	1,203.66
4	Commissioner Social welfare, DS Samkshema Bhavan	2235	1,069.58
5	Commissioner, Backward Classes Welfare, DS Samkshema Bhavan	2225	1,039.89
6	Commissioner, Panchayat Raj Urdu Hall Lane, Himayat Nagar	2515	1,004.96
7	Land Administration – HoD, Chief Commissioner	2053	897.22
8	Chief Engineer Rural Water Supply, Errum Manzil	4215	734.96
9	Commissioner of Rural Development	2235	680.26
10	DG&IG of Police, Saifabad	2055	672.60
11	Commissioner of Tribal Welfare, DS Samkshema Bhavan	2235	658.57
12	Commissioner Social Welfare, DS Samkshema Bhavan	2225	652.62
13	Commissioner of Tribal Welfare, DS Samkshema Bhavan	2225	626.77
14	Secretary, M A & U D Department, Telangana Secretariat	2217	519.36
15	Commissioner of Tribal Welfare, DS Samkshema Bhavan	2401	515.16
16	Deputy Secretary to Government, Health, Medical and Welfare Department	2210	462.67
17	Civil Supplies –HoD, Commissioner of Civil Supplies, Civil Supplies Bhavan	2236	429.72
18	Commissioner Social Welfare, DS Samkshema Bhavan	2236	407.03
19	Commissioner Social Welfare, DS Samkshema Bhavan	2801	383.79
20	Intermediate Education - HoD Director, Intermediate Education	2202	337.30
21	Registrar, High Court, Nayapul	2014	289.91
22	Secretary, Youth Advancement, Tourism and Cultural Department Telangana State Secretariat	2251	288.75
23	Director, Medical Education, DMS Compound, Koti	4210	264.44
24	Commissioner of Rural Development, 2nd Floor, Huda Hermitage Complex	2501	246.79
25	Commissioner of Rural Development, 2nd Floor, Huda Hermitage Complex, Saifabad	4515	244.00
26	Commissioner of Tribal Welfare, DS Samkshema Bhavan	2801	244.23
27	Elections: Chief Electoral Officer & Ex-Officio Special Secretary to Govt, General Administration Elections Department	2015	240.64
28	Agriculture –HOD, Commissioner & Director of Agriculture, Fateh Maidan	2401	231.83
29	Higher Education, Secretariat Dept. - HOD Secretary	2202	224.42
30	Principal Chief Conservator of Forests, Aranya Bhavan, Opposite Reserve bank of India, Saifabad,	2406	194.48
31	School Education - HOD Director of School Education Saifabad	2236	141.00
32	Commissioner Tribal Welfare, DS Samkshema Bhavan	2236	135.55
33	Director of Health, Government of Telangana State, Sultan Bazar	2210	133.02
34	Technical Education - Director, Technical Education	2203	130.45
35	Commissioner of State Excise	2039	124.95
36	Collegiate Education - HOD Director of Collegiate Education	2202	105.06
	TOTAL		19,235.53

Glossary of Terms

Term	Basis of Calculation
Buoyancy of a Parameter	Rate of Growth of a Parameter / GSDP Growth Rate
Development Expenditure	Social Services Expenditure + Economic Services Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Non Debt Receipts	Revenue Receipts + Miscellaneous Capital receipts + Recoveries of Loans and Advances
Primary Deficit	Fiscal Deficit – Interest payments
Primary Expenditure	Revenue Expenditure – Interest payments + Capital Expenditure + Loans and Advances + Inter State Settlements
Primary Revenue Expenditure	Revenue Expenditure – Interest payments
Primary Revenue Surplus	Non Debt Receipts - Primary Revenue Expenditure
Revenue Surplus	Revenue Receipts – Revenue Expenditure

Term	Description
Appropriation	Appropriation is the provision made in the budget for incurring expenditure which is directly charged and not subject to the voting of the Legislature
Capital Expenditure	Expenditure of a capital nature such as construction of irrigation projects, bridges, buildings, laying of roads, irrigation and electricity projects, <i>etc.</i>
Debt sustainability	Debt sustainability is defined as the ability of the State to maintain a constant Debt - GSDP ratio over a period of time. It means that rise in fiscal deficit should match with the increase in the State's capacity to service the incremental debt from additional revenues generated from the use of such debt in creating income generating capital assets.
GDP/GSDP	Gross Domestic Product (GDP) and Gross State Domestic Product (GSDP) refers to the market value of all officially recognised final goods and services produced within the Country and the State respectively in a given period of time, accounted without duplication and are an important indicator of the Country and State's economy.

Term	Description
Grant	Grant means the amount voted by the Legislative Assembly in respect of a demand for Grant
Loan account	Loan account is the account of public debt incurred and discharged and loans and advances made by the State Government to local bodies, employees and others and recovered from them.
Public Debt	Public Debt comprises of loans raised by Government such as market loans, loans from the Life Insurance Corporation of India <i>etc.</i> , and the borrowings from the Central Government.
Revenue Expenditure	Revenue Expenditure is the account of current expenditure of the State. For example, wages, salaries, maintenance works, repairs, <i>etc.</i>
Ways and Means Advances	Ways and Means Advances are temporary advances extended by RBI to the Government. These are meant to bridge the gap between expenditure and receipts. They are not a source of finance but are meant to provide support, for purely temporary difficulties that arise on account of mismatch/shortfall in revenue or other receipts for meeting Government liabilities

Abbreviations

Acronym	Full form
AC Bills	Abstract Contingent Bills
AHCT	Arogyasri Health Care Trust
ATB	Auction Treasury Bill
BE	Budget Estimates
BPL	Below Poverty Line
CAG	Comptroller and Auditor General of India
CCO	Chief Controlling Officer
CDP	Constituency Development Programme
CEO	Chief Executive Officer
CGST	Central Goods and Services Tax
CPO	Chief Planning Officer
CSF	Consolidated Sinking Fund
DC Bills	Detailed Contingent Bills
DDO	Designated Disbursing Officer
DISCOM	Distribution Company
DPC	Duties, Powers and Conditions of Service Act, 1971
DPR	Detailed Project Report
DTA	Director of Treasuries and Accounts
DTO	District Treasury Office
FC	Finance Commission
FRBM	Fiscal Responsibility and Budget Management
GCS	General Category States
GDP	Gross Domestic Product
GIA	Grants-in-Aid
GO	Government Order
GoI	Government of India
GRF	Guarantee Redemption Fund
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
HMDA	Hyderabad Metropolitan Development Authority
HMWSSB	Hyderabad Metropolitan Water Supply and Sewerage Board
HoD	Head of Department
I&CAD	Irrigation and Command Area Development
IGAS	Indian Government Accounting Standards
IGST	Integrated Goods and Services Tax
IMR	Infant Mortality Rate
KIPCL	Kaleshwaram Irrigation Project Corporation Limited

MA & UD	Municipal Administration and Urban Development
MTFP	Medium Term Fiscal Policy Statement
NABF	Net Availability of Borrowed Funds
NCDC	National Cooperative Development Corporation
NPS	National Pension System
NSDL	National Securities Depository Limited
NTR	Non-Tax Revenue
OD	Overdraft
PAC	Public Accounts Committee
PAO	Pay and Accounts Office
PCI	Per Capita Income
PD account	Personal Deposit account
PDA	Personal Deposit Administrator
PRI	Panchayat Raj Institutions
RBI	Reserve Bank of India
RoI	Return on Investment
SBM-G	Swachh Bharat Mission-Gramin
SCCDCL	Scheduled Castes Co-operative Development Corporation Limited
SCSDF	Scheduled Castes Special Development Fund
SDF	Special Drawing Facility
SGST	State Goods and Services Tax
SOTR	State's Own Tax Revenue
SPV	Special Purpose Vehicle
STSDf	Scheduled Tribes Special Development Fund
TDWSCL	Telangana Drinking Water Supply Corporation Limited
TE	Total Expenditure
TGST	Telangana Goods and Services Tax
TRANSCO	Transmission Corporation
TRICOR	Telangana State Scheduled Tribes Cooperative Finance Corporation Limited
TSIIC	Telangana State Industrial Infrastructure Corporation
TSSGDCFL	Telangana State Sheep and Goat Development Cooperative Federation Limited
TSWRIDCL	Telangana State Water Resources Infrastructure Development Corporation Limited
ULB	Urban Local Bodies
WMA	Ways and Means Advances
ZPPF	Zilla Parishad Provident Fund

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