सत्यमेव जयते

Report of the
Comptroller and Auditor General of India

State Finances Audit Report

for the year ended March 2018

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Telangana

Report No. 1 of 2019

Report of the
Comptroller and Auditor General of India

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for the year ended March 2018

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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 the Government of Telangana intends to assess the financial performance of the State during 2017-18 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, 2011, the Fourteenth Finance Commission Report and Budget Estimates of 2017-18. The Report contains three Chapters.

Chapter 1 is based on the audit of the Finance Accounts and makes an assessment of the Telangana Government's fiscal position as on 31 March 2018. It provides an insight in to the trends in revenue, expenditure, repayment of debt and borrowing patterns.

Chapter 2 is based on the audit of the Appropriation Accounts and gives grant-wise description of appropriations 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.

Entry Conference with Principal Secretary, Finance Department, Government of Telangana was held in November 2018 wherein the issues taken up for review for the State Finances Audit Report were discussed. An Exit Conference was held in January 2019 wherein the audit findings were discussed. Responses of the Government, wherever received, are suitably incorporated.

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

Executive Summary

Fiscal situation of the State

Revenue Receipts (RR) and Revenue Expenditure (RE) have increased during the years 2015-16 to 2017-18, even after accounting for inflation. As a percentage of Gross State Domestic Product (GSDP), however, both RR and RE have decreased. The growth rate of RR and RE has decreased in 2017-18 in comparison to preceding year. Capital Expenditure (CE), which had increased in 2016-17, however, saw a decline in 2017-18.

(Paragraph 1.2)

The State registered a Revenue Surplus of ₹3,459 crore. The Fiscal Deficit was ₹26,700 crore. The Revenue Surplus, however, was overstated by ₹3,743.74 crore and the Fiscal Deficit was understated by ₹954.60 crore on account of misclassifications, non-contribution to statutory funds and classifying subsidies as loans. Effectively, there was a Revenue Deficit of ₹284.74 crore and Fiscal Deficit was ₹27,654.60 crore.

Fiscal Deficit (₹26,700 crore) was 3.55 *per cent* of GSDP (₹7,52,230 crore). Fiscal Deficit marginally exceeded the ceiling of 3.50 *per cent* fixed by the 14th Finance Commission. Outstanding Public debt to Gross State Domestic Product ratio was 19 *per cent.* This was within the ceiling of 22.82 *per cent* fixed by the 14th Finance Commission. The outstanding liabilities were 22.05 *per cent* of the GSDP, which was within the prescribed limit of 25 *per cent* as per Medium Term Fiscal Policy Statement (MFPS) of the State Government.

Primary Deficit (₹15,864 crore) in 2017-18 decreased by 41 *per cent* in comparison to preceding year (₹26,672 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 (₹88,824 crore) in 2017-18 increased by ₹6,006 crore (7.25 *per cent*) over 2016-17. They were, however, lower than the budget estimates by ₹24,259 crore.

Revenue Expenditure (₹85,365 crore) increased by ₹3,933 crore (4.83 *per cent*) over 2016-17. It was, however, lower than the budget estimates by ₹23,147 crore.

Capital Expenditure (₹23,902 crore) decreased by ₹9,469 crore (28 *per cent*) in comparison to 2016-17, which was, however lower than the budget estimates by ₹7,028 crore.

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

(Paragraphs 1.2 and 1.3.2)

Summary of important audit findings and recommendations

Efficiency in Tax Collection

The cost of collection of major taxes of the State decreased during the last three years indicating greater efficiency (measured as cost of collection of tax as a percentage of the tax collection).

(Paragraph 1.4.2.2)

Adequacy of public expenditure

Telangana fared favourably in its focus on Development Expenditure (₹84,006 crore) and Capital Expenditure (₹23,902 crore) in comparison to other General Category States. The State, however, lagged behind in the area of Education.

(Paragraph 1.5.4.1)

Committed Expenditure

The burden of committed expenditure measured as a percentage of Revenue Expenditure of the State, was steadily rising due to increase in interest payments (by 26 *per cent* over 2016-17) and pension payment (by 32 *per cent* over 2016-17). 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)

National Pension System

Government's contribution to National Pension System was short by ₹49.87 crore in comparison to employee's contribution. Such short contributions also existed in 2016-17 (₹71.91 crore) and in 2014-15 (₹20.01 crore).

An amount of ₹926.89 crore has been transferred to National Securities Depository Limited (NSDL) during 2017-18. Balance ₹164.90 crore was yet to be transferred as of March 2018.

An amount of ₹730.64 crore available in the Fund was yet to be apportioned between the States of Andhra Pradesh and Telangana.

Persistent short contribution by the State Government, short transfer to NSDL / Trustee Bank, and not-crediting the interest on un-transferred amount, unless rectified, will inevitably lead to bankruptcy of the NPS corpus and eventual failure of the scheme, hurting the interest of the subscribers.

(Paragraph 1.5.2.3)

Capital Outlays: Incomplete Projects

The State Government has placed creation of infrastructure as a priority area since the formation of the State. It has spent ₹79,236 crore on Capital Projects during the years 2014-18. Within the capital projects, more than 50 *per cent* of the Capital Expenditure was on Irrigation and flood control, except in 2016-17. Delays in completion of projects, however, not only adversely affected the quality of the expenditure but also deprived the State of intended benefits and economic growth. In respect of 19 irrigation projects, whose original cost was ₹41,201 crore, delays ranging from three to 11 years led to escalation of projected cost to ₹1,32,928 crore. An amount of ₹70,758 crore was spent on these incomplete projects so far. The State Government did not disclose 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 outlays in irrigation sector. These working results should guide future investments in the sector.*

(Paragraph 1.6.2)

Investment in Public Sector Undertakings

As of 31 March 2018, the State Government's investment in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative stood at ₹16,365 crore. The Return on Investment (RoI) from Corporations/Companies was low at 0.62 *per cent* while the average rate of interest on Government borrowing was 7.21 *per cent.* Government investments are highest in power sector. Losses from the power sector (₹6,202 crore), however, accounted for 94 *per cent* of total losses (₹6,619 crore) incurred by State working PSUs in 2017-18.State Government's actions have adversely impacted the DISCOMs, which in turn could impact Return on Investment.

***Recommendation**: In order to ensure financial turnaround of DISCOMs, the State Government may release their dues as well as compensate the DISCOMs while implementing new Government policies.*

(Paragraph 1.6.3)

Loans and Advances given by the State Government

As of 31 March 2018, Loans and Advances given by the Government to Autonomous Bodies, and Corporations were ₹15,869 crore. While the average rate of interest on Government borrowing was 7.21 *per cent*, the interest receipts as percentage of outstanding Loans and Advances was only 0.53 *per cent.*

Government loans amounting to ₹428.45 crore in 2017-18 did not specify any terms and conditions, like schedule of repayment, rate of interest, number of instalments *etc.* Government was providing loans to Autonomous Bodies, whose annual accounts were in arrears. Government gave fresh loans to three autonomous bodies for servicing their past loans.

The current level of recovery of loans was low. In the Budget estimates, an amount ₹5,807 crore was estimated to be recovered in 2017-18. The actual recovery (₹138 crore), however, was only 2.38 *per cent* of the estimated recovery.

***Recommendation**: The State Government may ensure that future loans and advances to autonomous bodies are predicated on furnishing of audited accounts of the previous year.*

(Paragraph 1.6.4)

Ways and Means Advances

State Government maintained the mandatory minimum daily cash balance of ₹1.38 crore with RBI for only 161 days during the year. The State Government depended on Special Drawing Facility (for 204 days: ₹11,278.42 crore), Ways And Means Advances (for 127 days: ₹10,878.46 crore) and Over Draft (for 7 days: ₹764.89 crore) for maintaining the minimum balance with RBI. In monetary terms, however, SDF/WMA/OD increased by ₹10,834 crore (90 *per cent* increase) in 2017-18 over 2016-17, indicating increasing dependency of Government on WMA. The interest payment on WMA (including SDF and OD) during 2017-18 was ₹13.82 crore as against ₹7.40 crore in 2016-17, *i.e.*, 86 *per cent* increase.

(Paragraph 1.6.5)

Reserve Funds

The State Government, after 2015-16, was not making contributions to Reserve Funds, created for specific and defined purposes.

The aggregate shortfall of contribution to Consolidated Sinking Fund during the years 2016-18 was ₹1,163 crore (₹489.96 crore in 2016-17 and ₹673.69 crore in 2017-18). The State's liabilities during the same period rose by 69 *per cent* from ₹97,992 crore as of March 2016 to ₹1,65,849 crore in March 2018.

The aggregate shortfall in contribution to Guarantee Redemption Fund (GRF) during the years 2016-18 was ₹282.90 crore. The total available balance (₹586.65 crore) in GRF as of March 2018 was only 1.46 *per cent* of the outstanding amount of guarantees (₹41,892 crore) as against the targeted three *per cent*.

Further, there were 10 Reserve Funds, which were not in operation from 2012-13 onwards, with a balance of ₹16.43 crore as on 31 March 2018.

***Recommendation**: The State Government must ensure that the contributions to Reserve Funds are made annually as stipulated, to enable a firm funding stream to meet the defined purpose of the Funds.*

(Paragraph 1.7.1)

Guarantees

Guarantees (₹41,892 crore) given by the Government to the end of 2017-18 stood at 51 *per cent* of total Revenue Receipts of the preceding year (₹82,818 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. No revenue on account of Guarantee Commission (₹209.45 crore) was received under sub-head 08 – Commission for Guarantees given by the Government. The Government extended Guarantees for the interest portion also on the loan amounting to ₹71.03 crore in respect of two entities.

***Recommendation**: The State Government must comply with its own orders and ensure that a comprehensive risk assessment informs its decisions to provide guarantees.*

(Paragraph 1.7.2)

Debt Management

Outstanding Public debt (₹1,42,918 crore) increased by 18 *per cent* in 2017-18 over the preceding year, at a higher pace than growth of GSDP. Interest payments are increasingly consuming Revenue Receipts. The interest payments relative to revenue receipts were much higher at 12.19 *per cent* against the target of 8.31 *per cent* fixed by 14th Finance Commission. The ratio of Debt repayment to Tax Revenue also increased from 6.84 *per cent* in 2015-16 to 8.05 *per cent* in 2017-18. The maturity profile of outstanding public debt as of March 2018 showed that 48 *per cent* (₹65,740 crore) of total outstanding debt is to be repaid over the next seven years.

***Recommendation**: The State Government may undertake a study, supported by future projections, to measure its total fiscal commitments and the ability to meet them. Such study can inform the risk assessment on its future borrowings.*

(Paragraph 1.7.3)

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 2011). Important targets relating to fiscal variables are to be amended from time to time in accordance with the Central Finance Commissions' recommendations. Government of Telangana, however, is yet to amend its FRBM Act in accordance with the recommendations of the Fourteenth Finance Commission.

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 10 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 and an amount of ₹28,099.68 crore under Loans and advances were yet to be apportioned between Andhra Pradesh and Telangana even after more than four years of State Re-organisation.

A total of 91 institutions were to be de-merged as per Schedule IX of the Andhra Pradesh Reorganisation Act, 2014. Recommendations for de-merger of 86 institutions were given by an Expert Committee constituted for this purpose; the Telangana Government has accepted the recommendations in respect of two institutions.

***Recommendation**: The State Government may take steps to ascertain the assets and liabilities of remaining Schedule IX institutions and also take concrete steps for apportionment of Capital Heads and Loans and Advances.*

(Paragraph 1.9)

Excess Expenditure

Excess expenditure of ₹28,171 crore was incurred in 10 grants and two appropriations. Majority of the excess expenditure in 2017-18 occurred in Fiscal Administration mainly on account of repayment of Ways and Means Advances (₹22,922 crore). A total expenditure of ₹2,218 crore was incurred at sub-head level without any budget provision in 36 cases. Persistent excess expenditure occurred in Fiscal Administration, Planning, Surveys and Statistics and Home Administration grants.

Recommendation*: State Government may analyse the reasons for persistent excess expenditure, placing Grant IX – fiscal administration on priority. Finance Department should ensure that no Departmental controlling officers, including the Finance Department itself, resort to excess expenditure over the regular allocations approved by the State Legislature.*

(Paragraph 2.2.2.1)

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 ₹27,346 crore, over and above the allocation pertaining to the years 2014-15 to 2016-17 regularised.

Recommendation*: All the existing cases of excess expenditure need to be got regularised at the earliest and, in future, completely stop such expenditure which has not received the vote of the State Legislature, with the exception of case(s) of dire and extreme emergency, the cost of which cannot be met from the Contingency Fund.*

(Paragraph 2.2.2.2)

Savings

In the year 2017-18, the total savings were ₹58,614 crore. Of which, ₹56,856 crore (97 *per cent*) pertain to 25 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 2014-18, there were cases of persistent savings of more than ₹500 crore.

Persistent Savings under Medical and Health as also in Social Welfare Sectors indicate that the schemes under these departments did not receive the required priority by the Government and there was inefficiency in implementation by the departments concerned / implementing agencies.

(Paragraph 2.2.2.3)

Re-appropriation

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 44 cases of excess expenditure (₹6,064 crore) and 23 cases of savings (₹4,229 crore), even after, re-appropriations on the last day of the financial year.

Recommendation*: Leveraging advancements in Information Technology State Government may issue re-appropriations on the basis of real-time data on committed expenses and actual receipts.*

(Paragraph 2.2.4)

Personal Deposit Accounts

Article 271 (iii) (4) of the Telangana Financial Code provides that Personal Deposit Accounts shall be closed at the end of the financial year by minus debit of the balance to the relevant service head in the Consolidated Fund of the State. In variance to the above, however, Government issued Orders (April 2000) that allowed funds released during a particular financial year to be lapsed by 31 March of the next financial year. This is contrary to the Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself. Notwithstanding the same, it was noted that an amount of ₹824.81 crore, in the PD accounts with 145 PD Administrators, which was due to lapse by end of next financial year (31 March 2018) was yet to be lapsed as of March 2018.

Government orders of June 2005 stipulated certain conditions in case of Personal Deposit account proposed in favour of an Officer of the State Government, so as to exclude the possibility of budgetary resources getting diverted to Personal Deposit Account. It was noted that a sum of ₹1,915 crore transferred from the Consolidated Fund during 2017-18, was held by eight Departmental officers, each PD Account holding a balance of more than ₹100 crore as of March 2018. Out of the total expenditure of ₹14,899.98 crore for the month of March 2018 an amount of ₹3,655.01 crore (24.53 *per cent*) was transferred from Consolidated Fund to the PD accounts. An amount of ₹3,194 crore out of this was transferred into category 'C' PD accounts. Government has transferred ₹1,500 crore and ₹800 crore to the Telangana Schedule Castes Cooperative Development Corporation and Telangana Scheduled Tribes Cooperative Finance Corporation, respectively, as loans at the fag end of the year (2017-18). Both the PD Administrators informed (March 2019) that the amounts of ₹1,500 crore and ₹800 crore were still in the PD Accounts. This indicates that the amounts were transferred to PD accounts to avoid lapse of funds.

There were 89 PD Accounts in 2017-18 with adverse balances; 701 non-operational PD Accounts with 'nil' balances; 949 PD Accounts with a total balance of ₹14.23 crore, had no transactions during the year 2017-18. Further, as per information furnished by Director of Treasuries and Accounts, 1,170 PD Accounts with an outstanding balance of ₹315.43 crore were inoperative for more than three years as on 31 March 2018. Government Officers, Public Sector Undertakings and Autonomous Bodies, were also operating heads of accounts meant for Local Funds. PD Accounts were being opened not in consultation with Accountant General (Accounts & Entitlement) but by duly notifying Accountant General (A & E) after opening.

Opening PD Accounts as a matter of routine with weak accounting controls, transferring funds to PD Accounts to avoid lapse and keeping large balances in the PD accounts without lapsing within the stipulated period entails dilution of legislative controls, inflation of expenditure figures and overstating of the liabilities of the Government and enhances the risk of misuse and misappropriation of funds.

***Recommendation**: Government may put in place a mechanism to review Category 'C' PD accounts and lapse the unspent balances by the Treasury Officers concerned as stipulated in the Government Orders. Transferring money to PD accounts from the Consolidated Fund of the State at the fag end to avoid lapse of funds should be avoided.*

(Paragraph 3.1)

Non-submission of Annual Accounts by Autonomous Bodies

There were delays in submission of annual accounts by autonomous bodies/ authorities. Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) and Hyderabad Metropolitan Development Authority (HMDA) and other autonomous bodies were not submitting annual accounts timely despite receiving loans / guarantees from the Government.

(Paragraph 3.4)

Non- submission of Detailed Contingent Bills

Detailed Contingent bills (2,164) of funds drawn for items of contingent nature were not submitted for ₹280.45 crore, in the absence of which there was no assurance that the money was spent for purpose they were drawn. Out of the above, 1,798 bills worth ₹244.39 crore pertain to only six Departments. Further, there were 641 AC bills amounting to ₹81.64 crore pertaining to the period prior to bifurcation of the State. Of this, 89 bills amounting to ₹5.72 crore were pending for adjustment for more than a decade.

Non-submission of DC bills within the prescribed time is a breach of financial discipline and enhances risk of misappropriation of public money and is an unhealthy practice.

(Paragraphs 3.6)

This Chapter provides an audit perspective on the finances of the State Government during 2017-18 and analyses changes in major fiscal aggregates relative to 2016-17 keeping in view overall trends during the preceding three years.

The analysis is based on the details contained in the Finance Accounts of the 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 2017-18 at current prices was ₹7,52,230 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 in **Table 1.1.** Growth 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	2014-15 (TRE)	2015-16 (SRE)	2016-17 (FRE)	2017-18 (AE)
Current Prices				
India's GDP (₹ in crore)	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate (*per cent*)	*10.99*	*10.40*	*10.82*	*9.96*
State's GSDP (₹ in crore)	5,05,849	5,77,902	6,59,074	7,52,230
Growth rate (*per cent*)	---	*14.20*	*14.00*	*14.10*
Constant Prices (Base year – 2011-12)				
India's GDP (₹ in crore)	1,05,27,674	1,13,86,145	1,21,96,006	1,30,10,843
Growth rate (*per cent*)	*7.41*	*8.15*	*7.11*	*6.68*
State's GSDP (₹ in crore)	4,16,332	4,64,542	5,11,482	5,64,539
Growth rate (*per cent*)	---	*11.60*	*10.10*	*10.40*

Source: Ministry of Statistics and Programme Implementation (figures as on 29 August 2018); TRE: Third Revised Estimates; SRE: Second Revised Estimates; FRE: First Revised Estimates; AE: Advanced Estimates

1.2 Summary of Fiscal Transactions

Table 1.2 presents the summary of fiscal transactions of State Government during 2017-18 *vis-à-vis* 2016-17and 2015-16. Further details of receipts and disbursements as well as overall fiscal position during 2017-18 are in ***Appendix 1.3***. Time series data of Government Finances for the years 2014-18 is 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 2017-18

(₹ in crore)

Receipts				Disbursements			
	2015-16	**2016-17**	**2017-18**		**2015-16**	**2016-17**	**2017-18**
Section A – Revenue Account[2]							
Tax Revenue	39,975	48,408	56,520	General Services	23,247	25,125	30,872
Non-Tax Revenue	14,414	9,782	7,825	Social Services	30,466	35,286	37,260
Share of Union Taxes/Duties	12,351	14,876	16,420	Economic Services	22,043	20,949	17,200
Grants from Government of India	9,394	9,752	8,059	Grants-in-aid and Contributions	140	72	33
Total Revenue Receipts	**76,134**	**82,818**	**88,824**	**Total Revenue Expenditure**	**75,896**	**81,432**	**85,365**
Section B – Capital Account[3] and Others							
Miscellaneous Capital Receipts	--	--	--	Capital Expenditure	13,590	33,371	23,902
Recoveries of Loans and Advances	88	156	138	Loans and Advances disbursed	5,233	3,402	6,209
Public Debt[4] Receipts*	17,498	44,819	49,153	Repayment of Public Debt*	2,845	15,568	27,471
Net of inter-state Settlement[5]	--	--	--	Net of inter-state Settlement	359	50	186
Contingency Fund	--	--	--	Contingency Fund	--	0.09	--
Public Account Receipts	86,385	1,09,094	1,06,511	Public Account Disbursements	80,909	1,05,368	98,664
Opening Cash Balance	5,195	6,468	4,164	Closing Cash Balance	6,468	4,164	6,993
Grand Total	**1,85,300**	**2,43,355**	**2,48,790**	**Grand Total**	**1,85,300**	**2,43,355**	**2,48,790**

Source: Finance Accounts

* *excluding the Ways and Means advances, the Public Debt receipts are ₹17,386 crore in 2015-16, ₹32,731 crore in 2016-17 and ₹26,231 crore in 2017-18; Repayment of Public Debt was ₹2,733 crore in 2015-16, ₹3,480 crore in 2016-17 and ₹4,549 crore in 2017-18*

Composition of resources and application of funds of the Consolidated Fund of the State in the year 2017-18 is in ***Appendix 1.5.***

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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

4 Comprises loans raised by Government such as market loans, loans from the Life Insurance Corporation of India, *etc*., and the borrowings 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

The trends of Revenue Receipts (RR) / Revenue Expenditure (RE) / Capital Expenditure (CE) relative to GSDP at current as well as constant prices[6] are in **Table 1.3**.

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

Particulars	2015-16	2016-17	2017-18
Gross State Domestic Product at current prices	**5,77,902**	**6,59,074**	**7,52,230**
Revenue Receipts (RR) relative to GSDP			
RR at current prices (₹ in crore)	76,134	82,818	88,824
Rate of growth of RR at current prices (*per cent*)	*	*8.78*	*7.25*
RR at constant prices (₹ in crore)	*61,200*	*64,270*	*66,661*
Rate of growth of RR at constant prices (*per cent*)	*	*5.02*	*3.72*
RR/GSDP	***13.17***	***12.57***	***11.81***
Revenue Expenditure (RE) relative to GSDP			
RE at current prices (₹ in crore)	75,896	81,432	85,365
Rate of growth of RE at current prices (*per cent*)	*	*7.29*	*4.83*
RE at constant prices (₹ in crore)	61,008	63,196	64,065
Rate of growth of RE at constant prices (*per cent*)	*	*3.59*	*1.38*
RE/GSDP	***13.13***	***12.36***	***11.35***
Capital Expenditure (CE) relative to GSDP			
CE at current prices (₹ in crore)	13,590	33,371	23,902
Rate of growth of CE at current prices (*per cent*)	*	*145.56*	*(-) 28.37*
CE at constant prices (₹ in crore)	10,924	25,898	17,938
Rate of growth of CE at constant prices (*per cent*)	*	*137.07*	*(-)30.74*
CE/GSDP	***2.35***	***5.06***	***3.18***

Source: Finance Accounts and GSDP data from MoSPI (figures as on 29 August 2018) of respective years

**Not compared with 2014-2015, as figures for 2014-15 are for 10 months (i.e., from 2 June 2014 to 31 March 2015) due to bifurcation of Andhra Pradesh State (combined)*

As is evident from the table above, both Revenue Receipts and Revenue Expenditure have increased during the last three years, even after accounting for inflation. As a percentage of GSDP, however, both Revenue Receipts and Revenue Expenditure have been decreasing. Further, the growth rate of both Revenue Receipts and Revenue Expenditure decreased in 2017-18 as compared to the preceding year. Capital Expenditure, which had increased in 2016-17, however, saw a decline in 2017-18.

[6] 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 Surplus[7] / Deficit, (ii) Fiscal Deficit[8] and (iii) Primary Deficit[9] help in assessing the fiscal situation of the Government. The way these deficits are financed assist 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 2017-18 was an improvement over the last year. Trends in Debt Sustainability (Ratio between debt and GSDP in *per cent*) and outstanding liabilities to GSDP are shown in **Chart 1.3** and **Chart 1.4.**

Chart 1.1: Trends of fiscal parameters
(₹ in crore)

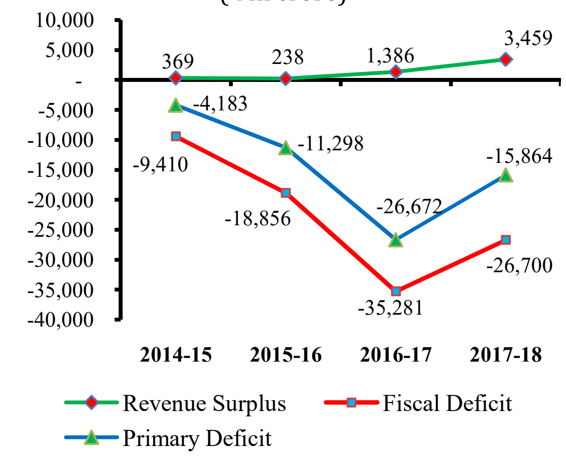


Chart 1.2: Fiscal parameters *vis a vis* GSDP
(in percentage)

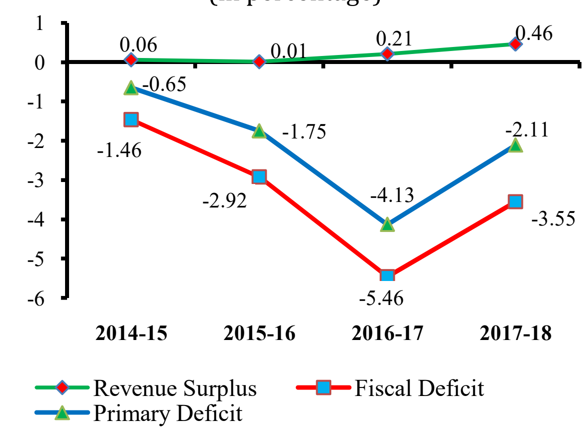


Chart 1.3: Debt Sustainability (*i.e.*, debt to GSDP ratio in *per cent*)

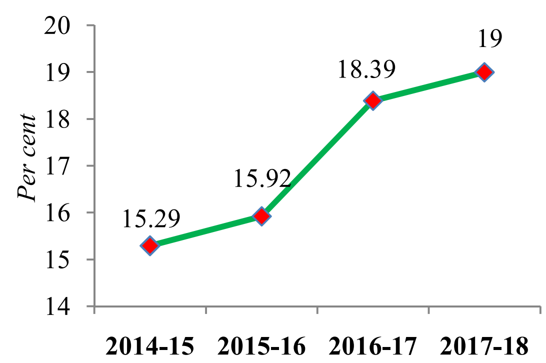
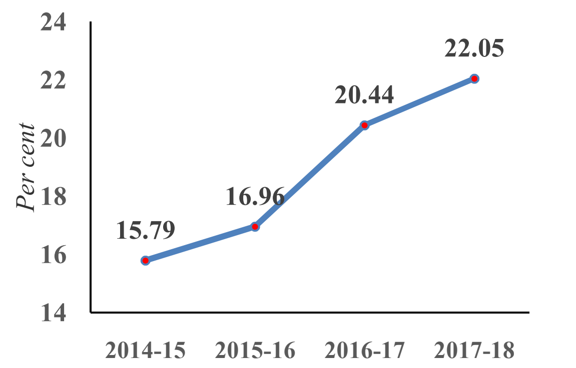


Chart 1.4: Total Outstanding Liabilities to GSDP ratio in *per cent*



Source: Finance Accounts

Note: In 2016-17, but for the increased Capital Expenditure of ₹7,500 crore incurred under Ujwal DISCOM Assurance Yojana (UDAY) scheme, which was implemented for financial turnaround of DISCOMs, the Fiscal Deficit and Primary Deficit would have been ₹28,781 crore (4.38 per cent) and ₹19,172 crore (2.97 per cent) respectively.

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7 Revenue Surplus = Revenue Receipts (-) Revenue Expenditure

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

9 Primary Deficit = Fiscal Deficit (-) interest payments

- **Revenue Surplus** (₹3,459 crore) of the State in 2017-18 increased over previous year by ₹2,073 crore as per Finance Accounts.

- **Fiscal Deficit** (₹26,700 crore), in 2017-18, has decreased by ₹8,581 crore in comparison to preceding year (₹35,281 crore). Fiscal Deficit as a percentage of GSDP was 3.55 *per cent* and marginally exceeded the ceiling of 3.50 *per cent*[10] fixed by 14th Finance Commission. Fiscal Deficit position improved over previous year mainly due to reduced Capital Expenditure by ₹9,469 crore.

- **Primary Deficit** (₹15,864 crore) in 2017-18 decreased by 41 *per cent* in comparison to preceding year (₹26,672 crore). Though Primary Deficit, decreased, it was evident that the non-debt receipts[11] (₹88,962 crore) were not sufficient to meet Primary Expenditure (₹1,04,826 crore).

- As per 14th Finance Commission recommendations, the outstanding **Debt to GSDP ratio** (in *per cent*) was to be less than 22.82 *per cent* for the year 2017-18. The Debt-GSDP ratio (19 *per cent*), though increasing over the years, was within in the ceiling prescribed by the 14th Finance Commission.

- As per Medium Term Fiscal Policy Statement (MFPS) of the State Government, the total outstanding liabilities were to be less than 25 *per cent* of the GSDP. In 2017-18, the total outstanding liabilities of Telangana were 22.05 *per cent* of the GSDP, which is within the prescribed limit. The outstanding liabilities grew by 23 *per cent* over the previous year.

It was observed that the Revenue Surplus was overstated by ₹3,743.74 crore and Fiscal Deficit was understated by ₹954.60 crore on account of the following:

(i) Misclassification, (ii) non/short contribution to statutory funds, (iii) treating subsidies / Grants-in-Aid as loans as detailed in Table 1.4 below.

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[10] As per 14 Finance Commission recommendations, the State Government was eligible for fiscal deficit ceiling of 3.50 *per cent*(additional 0.5 *per cent* allowance over and above standard ceiling of 3 *per cent)* on account of the following:
(i) Additional 0.25 *per cent* is allowed if the ratio of Debt / GSDP of the State was less than 25 *per cent.* Debt/GSDP ratio in Telangana for 2015-16 (base year) was 16.21 *per cent*
(ii) A second 0.25 *per cent* is allowed if the ratio of Interest Payment / Total Revenue Receipts (IP/TRR) is less than 10 *per cent*. IP/TRR ratio in Telangana for 2015-16 was 9.92 *per cent*

[11] Non-debt receipts = Revenue receipts + Miscellaneous Capital receipts + Recoveries of Loans and Advances

Table 1.4: Impact on Revenue Surplus and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Surplus (Overstated)	Impact on Fiscal Deficit (Understated)
(i) Misclassification		
Grants-in-Aid and Minor works booked under Capital	489.14	---
(ii) Non/short contribution to Statutory Funds		
Short contribution to National pension system	49.87	49.87
Non provision of interest on Interest bearing Reserve Funds and Deposits	21.59[12]	21.59
Non contribution to Consolidated Sinking Fund	673.69	673.69
Non contribution to Guarantee Redemption Fund	209.45	209.45
(iii) Subsidies / Grants-in-Aid classified as loans		
Assistance for subsidies treated as loans instead of grants / subsidies	2,300.00*	---
Total	**3,743.74**	**954.60**

Source: Finance Accounts

** ₹1,500 crore to Scheduled Castes Cooperative Development Corporation Limited and ₹800 crore to Telangana Scheduled* Tribes *Cooperative Finance Corporation Limited*

The State Government without furnishing details stated (January 2019) that it has consciously provided loans. It further, held the view that the calculations are hypothetical since the Government accounts are cash based accounts. The following was observed in audit:

- ₹2,300 crore sanctioned as loans was actually meant to be utilised for providing subsidies to the beneficiaries (refer **Box 1.1**).
- By not contributing to the statutory funds like Consolidated Sinking Fund, Guarantee Redemption Fund, the State Government has not incurred mandatory expenses, resulting in overstating of the Revenue Surplus.

Box 1.1: Subsidies treated as loans

Telangana Scheduled Castes Cooperative Development Corporation Limited (SCCDCL) and Telangana State Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR) implement various programmes for the benefit of Schedule Castes and Schedule Tribes taken up by the State Government. These include distribution of subsidies to the targeted groups.

In March 2018, the State Government advanced loans of ₹1,500 crore and ₹800 crore respectively to these Corporations for transfer as subsidy under Land Purchase Scheme and other bank linked self-employment schemes *etc*. While, these were subsidies, they were treated as loans (and hence, Capital Expenditure) instead of grants (Revenue

[12] Interest liability not provided: (i) ₹13.46 crore on Deposits (₹177.12 crore) bearing interest in Defined Contribution Pension Scheme calculated at 7.6 *per cent* (General Provident Fund Interest Rate) and (ii) ₹8.13 crore on Reserve Funds bearing interest (State Disaster Response Fund - ₹108.37 crore) calculated at 7.5 *per cent* (average Ways and Means Advance Rate)

Expenditure). This was not justified in view of the nature of the transfer being subsidy. Besides, both these institutions do not have any definite revenue stream to service the loan. Further, no terms and conditions like repayment period, rate of interest *etc*., were stipulated while sanctioning the loans. SCCDCL had, in fact, requested the Government for conversion of the loans in to subsidy.

Treating the transfers as loans instead of Grants-in-Aid or subsidies to these institutions resulted in understatement of Revenue Expenditure and overstatement of Revenue Surplus to the extent of ₹2,300 crore.

The Government stated (January 2019) it had consciously provided ₹2,300 crore as loans.

It, however, did not specify as to how it would ensure the institutions would be able to repay the loans as they did not have any revenue resource of their own. Further, both the above Corporations informed (March 2019) that they do not have their own resources and they did not approach the Government for loans. The Corporations also informed (March 2019) that amounts of ₹1,500 crore and ₹800 crore are still lying in their respective Personal Deposit Accounts.

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 the revenue and capital expenditure (including loans and advances) over revenue and non-debt receipts. The composition and financing of fiscal deficit are 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		
		Net	Net	Receipts	Disbursements	Net
A	**Decomposition of Fiscal Deficit (1 to 4)**	**(-)18,856**	**(-)35,281**	**88,962**	**1,15,662**	**(-)26,700**
1	Revenue Surplus	238	1,386	88,824	85,365	3,459
2	Capital Expenditure	(-)13,590	(-)33,371	-	23,902	(-)23,902
3	Net Loans and Advances	(-)5,145	(-)3,246	138	6,209	(-)6,071
4	Interstate Settlements	(-)359	(-)50	-	186	(-)186
B	**Financing Pattern of Fiscal Deficit**					
1	**Net Borrowings**	**14,653**	**29,251**	**49,153**	**27,471**	**21,682**
a	Market Borrowings*	13,883	29,058	48,517	27,059	21,458
b	Loans from GoI	770	193	636	412	224
2	**Net Public Account**	**5,476**	**3,726**	**1,06,511**	**98,664**	**7,847**
a	Small Savings, PF, *etc.*	862	1,069	2,495	1,519	976
b	Reserve Funds	1,126	440	831	553	278
c	Deposits and Advances	2,222	1,918	54,048	48,188	5,860
d	Suspense and Misc.	1,405	454	28,582	29,155	(-)573
e	Remittances	(-)139	(-)155	20,555	19,249	1,306

Sl. No.	Particulars	2015-16	2016-17	2017-18		
		Net	Net	Receipts	Disbursements	Net
3	**Contingency Fund**	**-**	**(-)0.09**	**-**	**-**	**-**
4	**Total (1 to 3)**	**20,129**	**32,977**	**1,55,664**	**1,26,135**	**29,529**
5	**Increase(-) / Decrease(+) in Cash Balance**	**(-)1,273**	**2,304**	**--**	**--**	**(-)2,829**
6	**Overall Surplus/Deficit (4+5)**	**18,856**	**35,281**	**--**	**--**	**26,700**

Source: Finance Accounts

** Includes borrowings from other institutions*

Market borrowings financed 80.36 *per cent* of the Fiscal deficit, which was mainly used to finance Capital Expenditure (89.52 *per cent*).

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 may be 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[13]	Capital Expenditure	Loans and Advances and Inter-State settlements	Primary Expenditure	Primary Revenue Surplus[14]	Primary deficit (-) / Surplus (+)	Primary Revenue Surplus/ Capital Expenditure (*per cent*)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)	9
2015-16	76,222	68,338	13,590	5,592	87,520	7,884	(-)11,298	58.01
2016-17	82,974	72,823	33,371	3,452	1,09,646	10,151	(-)26,672	30.42
2017-18	88,962	74,529	23,902	6,395	1,04,826	14,433	(-)15,864	60.38

Source: Finance Accounts

- As can be seen from above, the non-debt receipts were not sufficient to meet the Primary Expenditure.
- The Primary Revenue Surplus met 60 *per cent* of the Capital Expenditure in 2017-18, an improvement over the previous year.

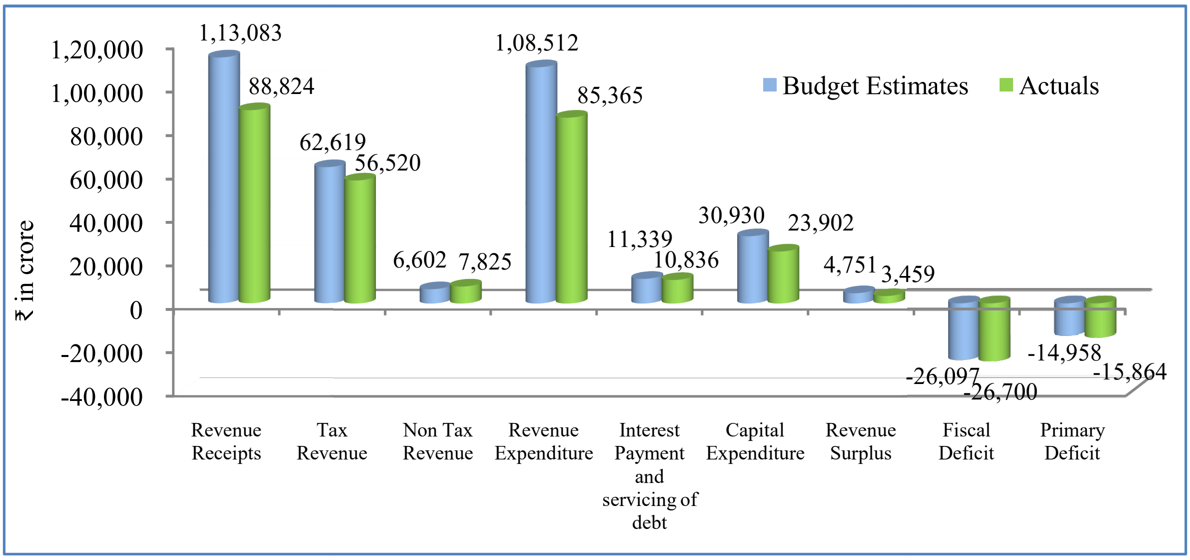
1.3.2 Budget Estimates and Actuals

Shortfall 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 detailed below (**chart 1.5**):

[13] Primary Revenue Expenditure = Revenue Expenditure – Interest payments

[14] Primary Revenue Surplus = Non-Debt Receipts (Revenue Receipts + Miscellaneous Capital Receipts + Recovery of Loans and Advances) – Primary Revenue Expenditure

Chart 1.5: Budget Estimates and Actuals for the year 2017-18



Source: Budget Estimates and Finance Accounts

- Revenue Receipts fell short of Budget Estimates (BE) by 21 *per cent.* Tax Revenue fell short of BE by 10 *per cent* mainly due to shortfall in Taxes on Sales, Trade/ GST *etc*. (18 *per cent)*. Shortfall in Grants-in-aid was 26 *per cent*.

- Non-Tax Revenue was higher than the BE by 18.52 *per cent*. Increase in non-tax revenue was due to receipt of ₹1,500 crore from "Major Irrigation (Kaleshwaram)".

- Revenue Expenditure was less than the BE by 21 *per cent*. The maximum shortfall in Revenue Expenditure was noticed under Irrigation and Flood Control (₹9,755 crore *i.e.,* 96 *per cent*).

- Capital Expenditure fell short of BE by 23 *per cent* mainly due to shortfall in Rural Development (₹3,453 crore *i.e*., 80 *per cent*), Irrigation and Flood Control (₹2,260 crore *i.e.,* 15 *per cent*), Water Supply, Sanitation, Housing and Urban Development (₹1,611 crore i.e. 46 *per cent*) and Welfare of SCs/STs/OBCs and Minorities (₹1,448 crore *i.e*., 78 *per cent*).

- Revenue Surplus was lower than BE by 24 *per cent.* Fiscal Deficit and Primary Deficit were higher than BE by two *per cent* and six *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 bridged.

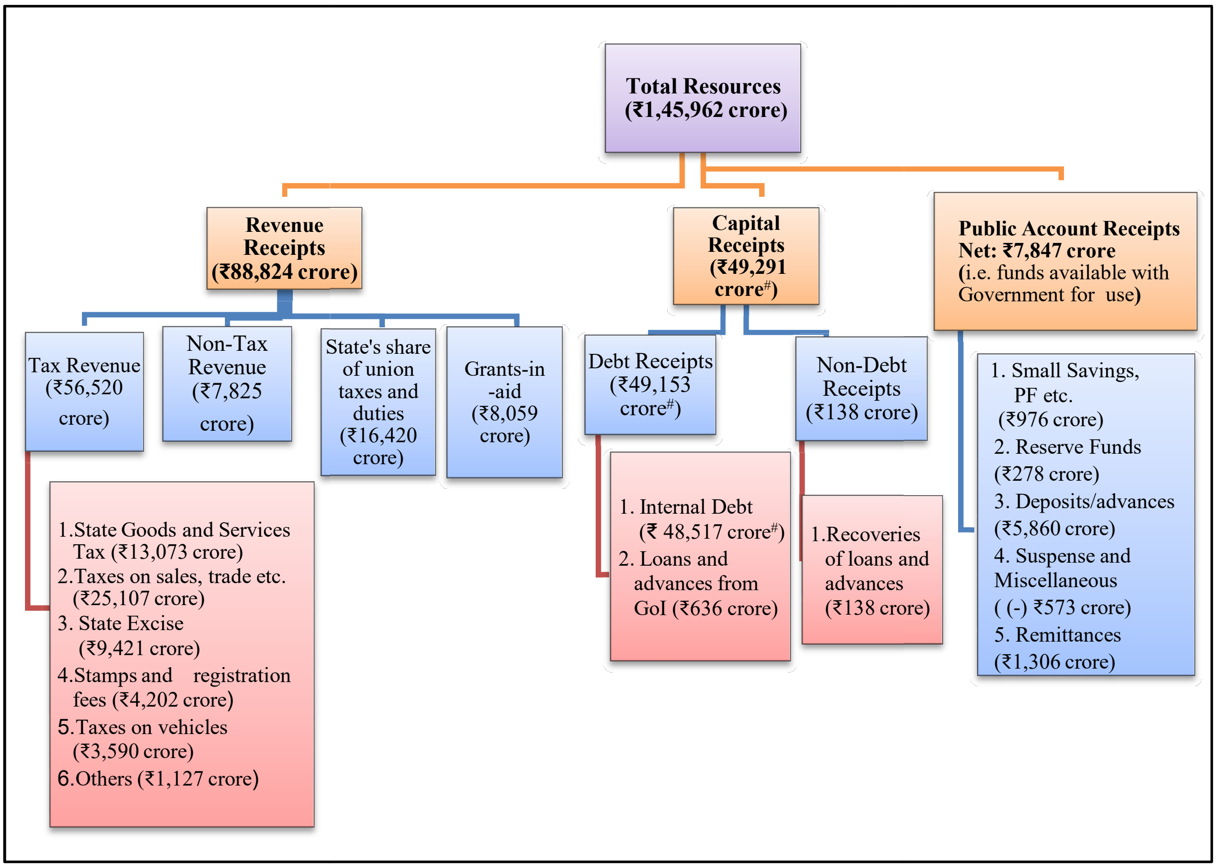
1.4 Financial Resources of the State

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 miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, 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 (₹1,45,962 crore) in 2017-18 is in **Chart 1.6**.

Chart 1.6: Composition of Resources in 2017-18



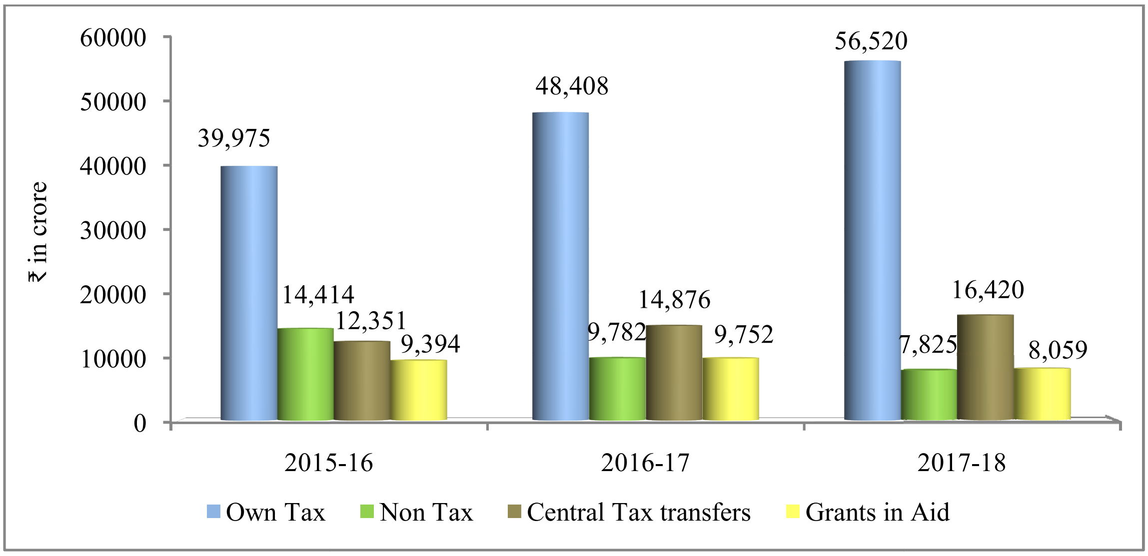
Source: Finance Accounts

#includes Ways and Means Advances of ₹22,922 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 2017-18 are in **Chart 1.7**.

Chart 1.7: Composition of Revenue Receipts during the years 2015-16 to 2017-18



Source: Finance Accounts

As can be seen, the Own Tax revenue and Central tax transfers have been increasing; whereas non-tax revenue was falling over the years. Grants-in-Aid in 2017-18 were lower than the previous year.

1.4.2.1 State's Own Resources

The State's performance in mobilization of resources is assessed in terms of Tax Revenue and Non-Tax Revenue, not including the State's share in Central Taxes and Grant-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 1.7**:

Table 1.7: Components of State's Own Tax Revenue

(₹in crore)

	2015-16	2016-17	2017-18	
	Actuals	Actuals	Budget Projections	Actuals
State Goods and Services Tax	---	---	---	13,073
Taxes on Sales, Trade,*etc.*	29,847	34,235	46,500	25,107
State excise	3,809	5,581	9,000	9,421
Taxes on vehicles	2,309	3,394	3,000	3,590
Stamp Duty and Registration Fees	3,102	3,822	3,000	4,202
Land revenue	104	7	15	4
Taxes on goods and passengers	33	11	5	88
Other taxes	771	1,358	1,099	1,035
Total	**39,975**	**48,408**	**62,619**	**56,520**

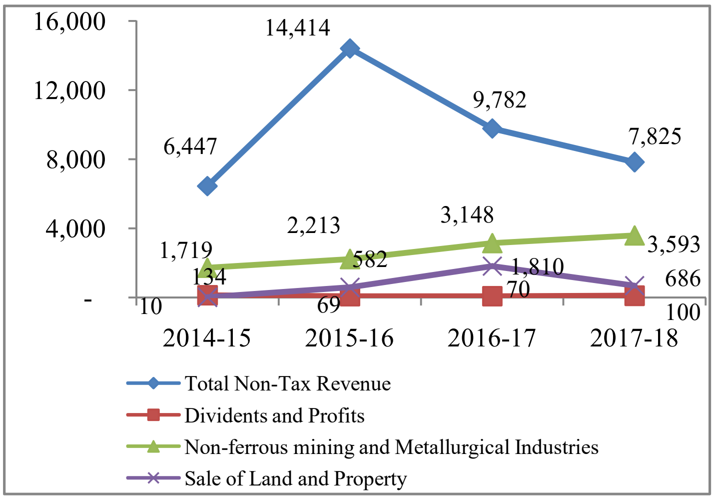
Source: Finance Accounts

State's Own Tax Revenue (SoTR) in 2017-18 was ₹56,520 crore and constituted 64 *per cent* of total Revenue Receipts. Tax Revenue grew by 17 *per cent* at a rate higher than the increase (14 *per cent*) in the economic base measured in terms of GSDP. The increase in State Excise (₹3,840.61 crore) was mainly due to revision of rates of taxation.

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 2017-18 was ₹7,825 crore and constituted nine *per cent* of the total Revenue Receipts. The fall (20 *per cent*) in NTR was due to decrease in interest receipts and revenue from sale of land and property.

Chart 1.8: Non-Tax Revenue: 2014-15 to 2017-18



Source: Finance Accounts of years concerned

The following was observed in audit:

- Receipts from sale of land and property (₹686.43 crore) decreased significantly in comparison to previous year (₹1,809.93 crore). NTR of ₹1,500 crore from sale of land to a Special Purpose Vehicle (SPV) *viz.,* Kaleshwaram Irrigation Project Corporation Limited (KIPCL) was incorrectly classified as receipts from Major Irrigation instead as sale of Land and Property.
- The revenue (₹3,592.51 crore) under the Mines and Minerals increased by 14 *per cent* during 2017-18 over the previous year (₹3,148.40 crore). The increase was mainly due to increase in royalty (₹2,048 crore in 2017-18) of major minerals as compared to previous year (₹1,757 crore).
- The 'Interest from Departmental Commercial Undertakings (₹0.08 lakh)' was meagre in comparison to receipts of ₹1,620.12 crore in the preceding year. The receipts in 2016-17 included notional interest of ₹1,620.09 crore on account of a book adjustment from Irrigation and Power projects with equivalent expenditure under "Other Expenditure". Such notional adjustment on both Receipts and Expenditure side was not made in 2017-18.

1.4.2.2 Efficiency in Tax Collection

The cost of collection of major taxes of the State decreased during the last three years (**Table 1.8**) leading to greater efficiency (measured as cost of collection of tax as a percentage of the tax collection).

Table 1.8: Tax collected and Cost of collection

		2015-16	2016-17	2017-18
Taxes on Sales, Trade, *etc.*, and SGST	Gross Revenue collection (₹ in crore)	29,846	34,235	40,068
	Cost of Collection (₹ in crore)	210	228	217
	Percentage to Gross collection	***0.71***	***0.67***	***0.54***

		2015-16	2016-17	2017-18
State Excise	Gross Revenue collection (₹ in crore)	3,809	5,581	9,421
	Cost of Collection (₹ in crore)	206	216	226
	Percentage to Gross collection	***5.40***	***3.88***	***2.40***
Taxes on Vehicles	Gross Revenue collection (₹ in crore)	2,309	3,394	3,589
	Cost of Collection(₹ in crore)	80	74	76
	Percentage to Gross collection	***3.46***	***2.18***	***2.12***
Stamps and Registration fees	Gross Revenue collection (₹ in crore)	3,102	3,822	4,202
	Cost of Collection (₹ in crore)	62	68	69
	Percentage to Gross collection	***2***	***1.77***	***1.65***

Source: Finance Accounts

1.4.2.3 GST Compensation

The State Government implemented Goods and Services Tax (GST) Act, which became effective from 1 July 2017. 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 applying the projected growth rate of (14 *per cent* per annum) over the base year revenue of the State. The base year for calculation of revenue figures of taxes subsumed under GST was fixed as 2015-16.

In case of Telangana, the revenue in the base year (2015-16) was ₹16,109 crore. Projected revenue for the year 2017-18 (for 9 months from the date of commencement of GST *i.e.,* 1 July 2017 to 31 March 2018) assessed with respect to base year was ₹15,701 crore. During the period from 1 July 2017 to 31 March 2018, the State collected an amount of ₹16,458 crore including an amount of ₹3,385 crore pre-GST taxes and ₹705 crore towards advance apportionment of Integrated GST (IGST).

The State received an amount of ₹169 crore towards provisional GST Compensation.

1.4.2.4 State's share of Union Taxes

The devolution of different components of States share of Union Taxes during years 2015-16 to 2017-18 is in **Table 1.9**.

Table 1.9: Devolution of 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
Corporation Tax	3,870	4,763	5,027
Customs	1,979	2,049	1,657
Income Tax	2,675	3,310	4,245
Other Taxes and Duties on commodities and services	11	0	0
Service Tax	2,153	2,404	1,872

Component of State's share of Union taxes	2015-16	2016-17	2017-18
Wealth Tax	1	10	0
Union Excise Duties	1,662	2,340	1,731
CGST	NA	NA	231
IGST	NA	NA	1,657
Grand total	12,351	14,876	16,420
Devolution as percentage of Revenue Receipts of the State	*16.22*	*17.96*	*18.49*
NA*: Not applicable due to implementation of GST Act with effect from 1 July 2017*			

Source: Finance Accounts

As can be seen from the above, the devolution as a percentage of Revenue Receipts of the State has been increasing over the past three years.

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 2017-18 are in **Table 1.10**.

Table 1.10: Grants-in-aid from Government of India

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	
	Actuals	**Actuals**	**BE**	**Actuals**
Non-Plan Grants	2,978	3,057	15,895	---
Grants for Centrally Assisted State Plan Schemes	6,416	6,695	10,962	---
Grants for Central and Centrally sponsored Plan Schemes	---	---	---	6,108
Finance Commission Grants	---	---	---	1,168
Other Transfers/Grants to States	---	---	---	783
Total	9,394	9,752	26,857	8,059
Total grants as a percentage of Revenue Receipts	*12.34*	*11.78*	*23.75*	*9.07*

Source: Finance Accounts; BE: Budget Estimates

Grants-in-Aid from GoI had reduced by 17 *per cent* in 2017-18 over previous year. The State Government stated (January 2019) that adopting direct benefit transfers (DBT), particularly in respect of schemes like MGNREGS would be one reason for decrease in receipt of Grants-in-Aid from GoI.

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 2017-18, however, the GoI released ₹9,741 crore directly to the implementing agencies for Food Subsidy (₹3,854 crore), National Rural Employment Guarantee Scheme (₹5,082 crore) *etc*., as shown in Appendix-VI of Finance Accounts 2017-18. Similar direct releases to implementing agencies had happened in 2016-17 (₹887.96 crore) and 2015-16 (₹858.38 crore).

1.4.3 Receipts under the Capital Section

The details of Capital Receipts and their composition for the years 2015-16 to 2017-18 are in **Table 1.11**:

Table 1.11: Composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	
	Actuals	Actuals	BE	Actuals
Capital Receipts (CR)	**17,586**	**44,975**	**35,187**	**49,291**
Recovery of Loans and Advances	88	156	5,807	138
Public Debt Receipts#	17,498	44,819	29,380	49,153

Source: Finance Accounts

#includes Ways and Means Advances of ₹112 crore, ₹12,088 crore and ₹22,922 crore for 2015-16, 2016-17 and 2017-18 respectively.

Public debt receipts constituted major component of Capital Receipts (99.72 *per cent*).

1.4.3.1 Public Account Receipts

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 under Article 266 (2) of the Constitution. These are not subject to vote by the State Legislature. Government acts as banker or trustee. The balance after disbursements is the fund available with the Government for its own use. Composition of Public Account receipts and disbursements is detailed in **Table 1.12**:

Table.1.12: Composition of Public Account Receipts and Disbursements

(₹ in crore)

Particulars	2015-16 Actuals	2016-17 Actuals	2017-18	
			Budget Estimates	Actuals
A. Public Account Receipts				
Small Savings, Provident Fund, *etc*.	2,101	2,417	1,233	2,495
Reserve Fund	1,788	1,292	2,079	831
Deposits and Advances	39,840	43,378	43,000	54,048
Suspense and Miscellaneous	26,458	39,369	---	28,582
Remittances	16,198	22,638	---	20,555
Total (A)	**86,385**	**1,09,094**	**46,312**	**1,06,511**
B. Public Account Disbursements				
Small Savings, Provident Fund, *etc*.	1,239	1,348	2,057	1,519
Reserve Fund	662	852	1,533	553
Deposits and Advances	37,619	41,460	41,672	48,188
Suspense and Miscellaneous	25,053	38,915	---	29,155
Remittances	16,336	22,793	---	19,249
Total (B)	**80,909**	**1,05,368**	**45,262**	**98,664**
Public Account Net (A)-(B)	**5,476**	**3,726**	**1,050**	**7,847**

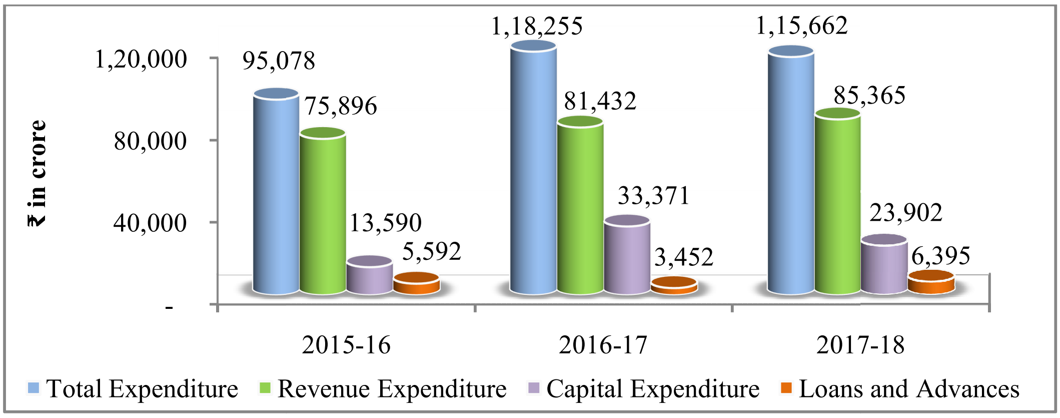
Source: Finance Accounts

1.5 Application of Resources

1.5.1 Growth and Composition of expenditure

The total expenditure in 2017-18 was ₹1,15,662 crore. **Chart 1.9** presents the trends and composition of total expenditure during 2015 to 2018.

Chart 1.9: Growth and Composition of expenditure during last three years



Source: Finance Accounts

Around 3/4th of the total expenditure in 2017-18 was Revenue Expenditure. Social Services[15] expenditure took precedence with 39.36 *per cent* over General (27.18 *per cent*) and Economic Services (33.20 *per cent*) in the total expenditure. Capital Expenditure, targeted towards creation of assets, constituted 21 *per cent* of the total expenditure, with the Economic Services[16] (84.47 *per cent*) receiving priority.

Component-wise major expenditure in Revenue and Capital sections incurred in 2017-18 is in **Table 1.13**:

Table 1.13: Major expenditure components under Revenue and Capital

Revenue				Capital			
Component	Sector	2016-17 (₹ in crore)	2017-18 (₹ in crore)	Component	Sector	2016-17 (₹ in crore)	2017-18 (₹ in crore)
Education[17], Sports, Art and Culture	Social	11,955	12,246	Irrigation and Flood control	Economic	13,655	12,596
Social Welfare and Nutrition	Social	9,069	8,864	Energy	Economic	10,498	2,721
Welfare of SCs, STs, OBCs and Minorities	Social	6,592	7,862	Transport	Economic	3,180	2,169

15 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

16 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

17 Include General Education:₹11,618 crore and Technical Education:₹336 crore

<table>
<tr><th colspan="4">Revenue</th><th colspan="4">Capital</th></tr>
<tr><th>Component</th><th>Sector</th><th>2016-17 (₹ in crore)</th><th>2017-18 (₹ in crore)</th><th>Component</th><th>Sector</th><th>2016-17 (₹ in crore)</th><th>2017-18 (₹ in crore)</th></tr>
<tr><td>Agriculture and allied activities</td><td>Economic</td><td>6,122</td><td>6,560</td><td>Water Supply, Sanitation, housing and Urban Development</td><td>Social</td><td>2,209</td><td>1,873</td></tr>
<tr><td>Health and Family Welfare</td><td>Social</td><td>4,590</td><td>4,768</td><td rowspan="4">Rural Development</td><td rowspan="4">Economic</td><td rowspan="4">109</td><td rowspan="4">858</td></tr>
<tr><td>Energy</td><td>Economic</td><td>4,594</td><td>4,391</td></tr>
<tr><td>Rural Development</td><td>Economic</td><td>6,549</td><td>3,790</td></tr>
<tr><td>Water Supply, Sanitation, Housing and Urban Development</td><td>Social</td><td>2,529</td><td>2,964</td></tr>
</table>

Source: Finance Accounts

- Revenue Expenditure (₹85,365 crore) was higher than the previous year's figures (₹81,432 crore) by 4.83 *per cent*. The increase over previous year was mainly due to higher outgo on Welfare of SCs, STs, OBCs and Minorities (₹1,270 crore), and Housing (₹522 crore) apart from committed Pension and other Retirement Benefits (₹2,921 crore) and Interest payments (₹2,226 crore). Expenditure on Rural Development decreased as compared to previous year owing to reduced assistance to Zilla Parishad, Gram Panchayat and Tribal Area Sub Plan.

- Capital Expenditure during current year (₹23,902 crore) was lower than the previous year's figures (₹33,371 crore) by 28 *per cent.* This was mainly due to decrease under Energy (₹7,776 crore), Irrigation and Flood Control (₹957 crore) and Transport (₹902 crore). Decreased expenditure under Energy was mainly due to lower investments in DISCOMs. Decrease under Irrigation and Flood Control was mainly due to lower expenditure on Mission Kakatiya, construction of New Irrigation Tanks under TSILIP and Lift Irrigation Works.

- Out of the total Development Expenditure[18], 65 *per cent* was under Revenue section.

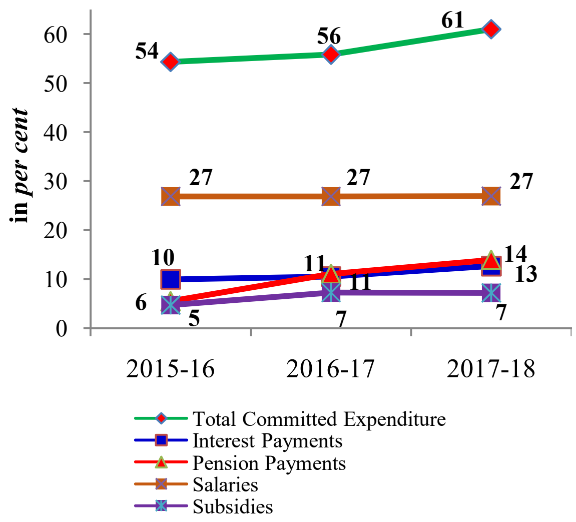
1.5.2 Revenue Expenditure

1.5.2.1 Committed Expenditure

Committed expenditure of Government consists of interest payments (₹10,836 crore), salaries and wages (₹23,003 crore), pensions (₹11,932 crore) and subsidies (₹6,159 crore). The committed expenditure in 2017-18 was ₹51,930 crore and constituted 61 *per cent* of Revenue Expenditure.

[18] Development Expenditure is the expenditure incurred on Social and Economic Services. It includes Developmental Capital Expenditure (₹23,337 crore), Developmental Revenue Expenditure (₹54,460 crore) and Development Loans and Advances (₹6,209 crore)

Chart 1.10: Committed Expenditure as percentage of Revenue Expenditure



Source: Finance Accounts of years concerned

The following observations were noted in Audit:

The burden of committed expenditure measured as a percentage of Revenue Expenditure of the State, was steadily rising (Chart 1.10).

This was due to increase in interest payments (₹10,836 crore: increase by 26 *per cent* over 2016-17) and pension payment (₹11,932 crore: increase by 32 *per cent* over 2016-17). **Greater reliance on market borrowings by the Government in the 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 12.19 *per cent* as against the target of 8.31 *per cent* fixed by 14th Finance Commission.

- The share of Salaries remained almost constant at 27 *per cent* of Revenue Expenditure.
- The share of subsidies also remained almost constant at seven *per cent* of the Revenue Expenditure (**Table 1.14**). Subsidies for power (₹3,262 crore)[19] which accounts for 53 *per cent* of the total subsidies, showed a marginally decreasing trend. Subsidies for Social welfare and Tribal welfare increased by ₹780.30 crore and ₹245.16 crore due to subsidy on rice, which had been included under "Civil Supplies" in 2016-17. In agriculture, the subsidies increased by 100 *per cent* due to increased subsidies on supply of seeds to farmers and farm mechanization.

Table 1.14: Department-wise Subsidies

(₹ in crore)

Sl. No.	Department	2016-17	2017-18
1	Power	3,675	3,262
2	Civil Supplies	2,018	1,181
3	Social Welfare	70	828
4	Agricultural and other Allied activities	152	304
5	Tribal Welfare	19	267
6	Transport	--	260
7	Others	20	57
Total		**5,935**	**6,159**
Revenue Expenditure		**81,432**	**85,365**

Source: Finance Accounts

19 Assistance to Transmission Corporation of Telangana Ltd. for Agricultural and allied Subsidy (₹2,952 crore) and Towards Reimbursement of expenditure incurred by TSTRANSCO against Vidyut Bonds (₹310 crore)

Further, the Government incurred expenditure as 'Grants-in-Aid' and 'Other expenditure' amounting to ₹767 crore in 2017-18, which are in the nature of subsidy like incentives for industrial promotion (₹301 crore), assistance to small and marginal farmers towards crop insurance (₹114 crore), assistance to Municipalities / Corporations as interest free loans (₹102 crore), power subsidy for industries (₹101 crore) interest free loans to farmers and insurance (₹80 crore). **Though, these are in the nature of subsidies, they are however, not reflected as subsidies and the committed expenditure is understated to that extent.**

1.5.2.2 Financial assistance to Local Bodies

Financial assistance to the tune of ₹30,415.93 crore was provided by the State Government to local bodies and other institutions by way of grants and loans in 2017-18 (**Table 1.15***)*. There was a marginal dip in the overall quantum of assistance in comparison to previous year (₹30,648 crore) mainly due to 15 *per cent* reduction in assistance to Panchayat Raj Institutions (PRI). The cut impacted two programmes: Construction of Rural Roads (which has suffered persistent shortfall with respect to Budget Estimates) and Pradhan Mantri Gram Sadak Yojana, which did not receive grants in 2017-18 from the Government of Telangana.

Table 1.15: Financial Assistance to Local Bodies and other institutions

(₹ in crore)

Sl. No.	Grants given to	2016-17	2017-18
1	Educational Institutions (Aided Schools, Aided Colleges, Universities, *etc*.)	987	1,000
2	Urban Local Bodies	609	798
3	Panchayat Raj Institutions	7,489	6,376
4	Development Agencies	119	291
5	Other Autonomous Bodies	1,172	1,093
6	Co-operative Institutions	63	56
7	Agriculture and allied activities	4,268	4,614
8	Social Welfare	5,422	5,177
9	Rural Development	2,483	1,514
10	Other Institutions	8,036	9,497
Total		**30,648**	**30,416**
Assistance as percentage of Revenue Expenditure		***38***	***36***

Source: Finance Accounts

Box 1.2: 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.

1.5.2.3 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. Audit analysis showed the following:

- During 2017-18, the employees' contribution was ₹481.61 crore and the Government contribution was ₹431.74 crore. The short contribution by the Government was of ₹49.87 crore. There were short contributions by Government in 2016-17 (₹71.91 crore) and 2014-15 (₹20.01 crore) also. In 2015-16, however, the Government, contributed more by ₹12.07 crore *vis-a-vis* employee's contribution of ₹359.16 crore. As Principal Accountant General (Accounts and Entitlements) is not maintaining 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.

  In the absence of complete data, Audit could not estimate the total liability of the State Government since the inception of the scheme.

- The balance in the Pension Fund under Defined Contribution Pension Scheme for Government Employees (MH- 8342, MiH- 117) as of 31 March 2017 was ₹177.12 crore. The receipts into the fund in 2017-18 were ₹913.35 crore. The Government transferred ₹926.89 crore to NSDL / Trustee Bank leaving balance of ₹164.90 crore in the fund as of 31 March 2018. Government was liable to pay interest on this amount also. The interest liability on the opening balance of ₹177.12 crore was ₹13.46 crore (calculated at a rate of 7.6 per *cent*[20]), for which the Government did not make any provision. Further, an amount of ₹730.64 crore available in the Pension Fund was awaiting apportionment between the States of Andhra Pradesh and Telangana.

The short contribution of employer's share and non-provision of interest resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit (Refer Table 1.4).

Persistent short contribution by the State Government, short transfer to NSDL / Trustee Bank, and not-crediting the interest on un-transferred amount, unless rectified, will inevitably lead to bankruptcy of the NPS corpus and eventual failure of the scheme, hurting the interest of the subscribers.

1.5.3 Capital Expenditure

Capital Expenditure, which had registered a steady increase in the last three years, however, saw a dip in 2017-18 (₹23,902 crore) *i.e.,* a decrease of ₹9,469 crore

[20] General Provident Fund interest rate

(28 *per cent*) from the preceding year (₹33,371 crore) mainly on account of implementation of UDAY scheme in the year 2016-17, for which there was no expenditure in 2017-18. The Government, however, invested significantly in infrastructure projects like Kaleshwaram Project (₹4,419 crore) and Mission Bhagiratha (₹512 crore), which were implemented through Special Purpose Vehicles (SPVs). The State Government was also giving Guarantees for the loans taken by these SPVs (***refer Paragraphs 1.7.2)***.

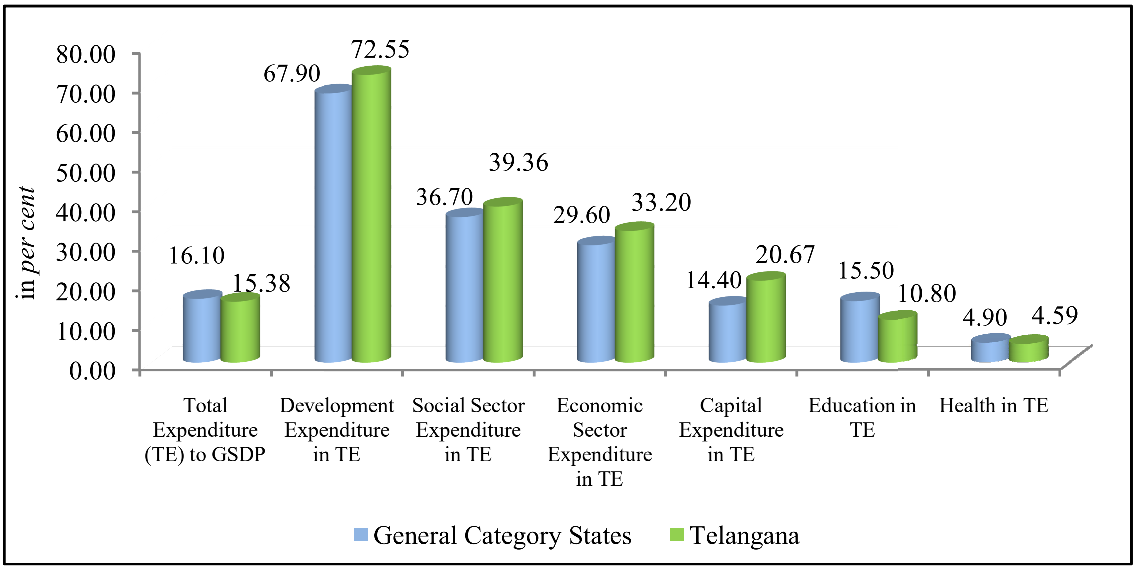
1.5.4 Quality of Expenditure

Quality of expenditure basically involves three aspects, *viz.,* adequacy of the expenditure (*i.e*., adequate provisions for providing public services), efficiency of expenditure use and effectiveness (assessment of outlay - outcome relationships for services).

1.5.4.1 Adequacy of public expenditure

A comparison of fiscal priority of Telangana Government with other General Category States[21] (**Chart 1.11)** revealed that Telangana fared favourably in its focus on Development Expenditure (₹84,006 crore) and Capital Expenditure (₹23,902 crore). However, the State lagged behind General Category States in the area of Education.

Chart 1.11: Prioritisation in public expenditure in percentage



Source: Finance Accounts

The State Government stated (January 2019) that expenditure on education is being incurred through other grants also such as expenditure on residential schools, scholarships to SC, ST and BC students, *etc*.

It was, however, seen that even after considering the expenditure on the residential schools *etc.,* under Social Welfare and Tribal Welfare, the percentage of Education in total expenditure was 12.45 *per cent* only and was still less than General Category States.

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

1.5.4.2 Efficiency of expenditure use

Details of Capital and Revenue Expenditure on maintenance of social and economic services are in **Table 1.16** below:

Table 1.16: Efficiency of expenditure on selected social and economic services

(in *per cent*)

Social/Economic Infrastructure	2016-17			2017-18		
	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	2.02	68.60	0.06	1.98	69.63	0.08
Health and Family welfare	7.09	37.08	0.18	5.21	29.15	0.34
Water Supply, Sanitation, Housing &Urban Development	46.63	16.89	5.46	38.73	10.16	1.77
Total (SS)	**8.22**	**31.84**	**0.54**	**7.11**	**31.17**	**0.31**
Economic Services (ES)						
Agriculture & Allied Activities	10.00	12.10	2.84	7.27	12.37	3.34
Irrigation & Flood Control	87.05	12.76	4.50	96.94	63.07	19.10
Power & Energy	69.56	0.01	0.003	38.26	0.00	0.00
Transport	84.24	3.09	42.78	78.47	3.19	50.25
Total (ES)	**58.59**	**9.11**	**2.62**	**54.36**	**11.45**	**3.59**
Total (SS + ES)	**36.84**	**23.37**	**1.31**	**30.00**	**24.94**	**1.35**

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

The ratio of Capital Expenditure to Total Expenditure in Irrigation and Flood control has increased significantly, indicating the focus of the Government on asset creation under this sector.

In respect of Revenue Expenditure, the share of operation and maintenance (O&M) in respect of Transport under Economic Sector has grown considerably over preceding year indicating increasing burden of O&M. The share of salaries and wages in respect of General Education under Social Sector has increased marginally over the preceding year.

1.6 Composition of Assets and Liabilities

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 2018, compared with the corresponding position 31 March 2017.

1.6.1 Government Assets

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

1.6.2 Capital outlays: Incomplete projects

The State Government has placed creation of infrastructure as a priority area since the formation of the State (2014). Accordingly, Capital Expenditure has accounted for 16 *per cent* to 22 *per cent* of the total expenditure in the last four years. During the years 2014-18, an amount of ₹79,236 crore was spent on capital projects.

Within the capital projects, more than 50 *per cent* of the Capital Expenditure was on Irrigation and Flood control, except in the year 2016-17, when it was 41 *per cent*. An amount of ₹39,231 crore was spent on Irrigation and Flood control during the last four years. The capital outlay on Irrigation and Flood control and its share in total Capital Expenditure of the Government are in **Chart 1.12** and **Chart 1.13**.

Chart 1.12: Expenditure on Irrigation and Flood Control across years

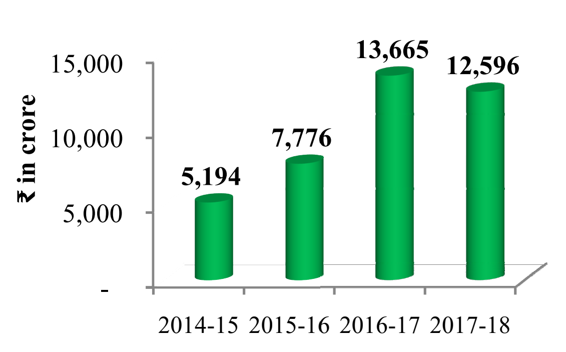
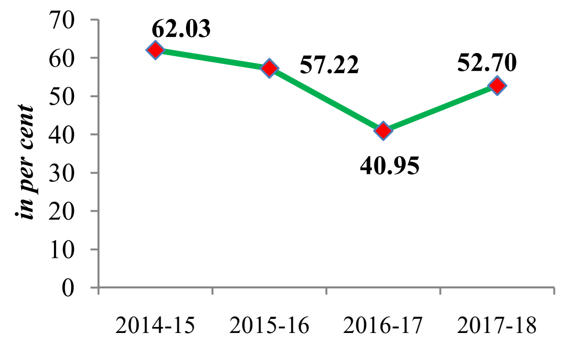


Chart 1.13: Portion of Irrigation and Flood control in Capital Expenditure



Source: Finance Accounts

There were 36 irrigation projects in various stages of construction in the State as of March 2018. Of these, in respect of 19 projects, there were delays ranging from 3 to 11 years. The original cost of these 19 projects was ₹41,201 crore. The delays have, however, led to revision of cost to ₹1,32,928 crore *i.e.,* an escalation of ₹91,727 crore. An amount of ₹70,758 crore has been spent so far and the projects remained incomplete.

Delays in completion of projects not only adversely affected the quality of the expenditure but also deprived the State of intended benefits and economic growth.

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

The State Government did not disclose financial results of any of the irrigation projects. As a result, there was no assurance of return on the heavy public investments in Irrigation and Flood control.

Box 1.3: Creation of irrigation facilities under AIBP

Audit reviewed four projects[22] included under Accelerated Irrigation Benefits Programme in 2016-17[23]. It was found that none of the projects were completed even after a decade. Changes in the scope of work, necessitated by factors including shortfall in availability of water, led to cost escalation. ₹16,135 crore was expended on the projects but the creation and utilization of irrigation facilities was dismal. Audit further checked the status of the projects in December 2018 and found the following (**Table 1.17**):

[22] J Chokka Rao Devadula Lift Irrigation Scheme, Sri Ram Sagar Project Stage II, Indiramma Flood Flow Canal and Palemvagu Project

[23] Paragraph 3.1 of CAG's Report No. 6 of 2018 on Government of Telangana

Table 1.17: Status of AIBP projects reviewed by audit

Sl. No.	Description	J Chokka Rao Devadula Lift Irrigation Scheme	Sri Ram Sagar Project Stage II	Indiramma Flood Flow Canal	Palemvagu Project
1	Year of inclusion under AIBP	2006-07	2005-06	2005-06	2005-06
2	Approved project cost under AIBP (₹ in crore)	9,427.73	1,043.14	1,331.30	29.13
3	Expenditure as of March 2018 (₹ in crore)	9,305.71	1,115.12	5,511.60	202.77
4	Irrigation facility to be created (in acres)	5,57,654	3,97,949	2,52,882	10,132
5	Irrigation facility created (in acres) (figures in bracket *per cent*)	1,56,723 (28)	3,41,917 (85)	0 (0)	7,000 (69)

Source: Information furnished by Irrigation and Command area Development Department

The State Government stated (January 2019) that delay in completion of projects was mainly on account of problems of land acquisition, environmental clearances, *etc*. The Government further stated that benefits, however, were being reaped from usage of even partially developed irrigation system.

Recommendation 2: State Government may compile working results of Major Irrigation Projects to assess benefits from persistent heavy outlays in irrigation sector. These working results should guide future investments in the sector.

1.6.3 Investment in Public Sector Undertakings

As of 31 March 2018, the State Government's investment stood at ₹16,365 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. In 2017-18, Government of Telangana invested mainly in (i) Power Distribution Companies of Telangana (DISCOMs) (₹2,721.27 crore), (ii) Telangana State Seeds Development Corporation Limited (₹228.80 crore), (iii) Telangana Backward Castes Cooperative Finance Corporation Limited (₹102 crore) and (iv) Kaleshwaram Irrigation Project Corporation Limited (₹100 crore). Audit analysis showed that the Return on Investment (RoI) in these Corporations / Companies has been low (**Table 1.18**).

Table 1.18: Return on Investment

Sl. No.	Investment / Return / Cost of borrowings	2015-16	2016-17	2017-18
1	Investment at the end of the year (₹ in crore)	1,329	13,075	16,365
2	Return in the form of Dividend (₹in crore)	69	70	101
3	Rate of Return (*per cent*)	5.19	0.54	0.62
4	Average rate of interest on Government borrowing (*per cent*)	8.50	7.4	7.21
5	Difference between RoR (*per cent*) and interest rate (3-4)	(-) 2.89	(-) 6.86	(-) 5.91

Source: Finance Accounts

Apart from infusion of equity, the State Government has also regularly provided budgetary support to these PSUs by way of loans and grants in aid.

Government investments are highest in power sector. However, losses from the power sector (₹6,202 crore) accounted for 94 *per cent* of total losses (₹6,619 crore) incurred by State working PSUs in 2017-18.

The State Government stated (January 2019) that tariff is a major issue.

Box 1.4: Financial turnaround of Power Distribution Companies (DISCOMs)

Government of India launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) scheme for financial turnaround of Power Distribution Companies (DISCOMs). As per the scheme, the State Government was to take over 75 *per cent* of outstanding debt of the DISCOMs as on 30 September 2015 over a period of two years; 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17 and transfer this sum to the DISCOMs in the form of grant (50 *per cent*), loan (25 *per cent*) and equity (25 *per cent*). The Government, however, made the entire transfer of ₹7,500 crore in the form of equity only during 2016-17.

The following actions of the State Government may adversely impact the achievement of the objectives of UDAY scheme:

- State Government decided to provide a nine-hour supply of power to farmers. This necessitated additional investment of ₹585.91 crore in strengthening the infrastructure. The State Electricity Regulatory Commission (SERC) directed the Southern Power Distribution Company Limited (SPDCL) to get the project funded from the State Government which was refused by the latter. SPDCL funded the project by market loans, adding to its debt stock.
- Due to the above policy of the Government (nine-hour supply of power to farmers), SPDCL exceeded the consumption of energy approved by the SERC. This led to an additional burden of ₹894.43 crore in 2016-17 on SPDCL which was not compensated by the Government. Government further enhanced (January 2018) the power supply to 24 hours a day, provided free of cost, which would further affect the finances of SPDCL.
- There was a shortfall of ₹268.60 crore in release of subsidies by Government to SPDCL as of March 2017, which affected the working capital requirement of DISCOM. This resulted in additional burden of ₹96.07 crore on SPDCL in the form of Delayed Payment Surcharge payable to Power Generation Companies.

Thus, State Government's actions have adversely impacted the DISCOMs, which in turn could impact Return on Investment.

Recommendation 3: In order to ensure financial turnaround of DISCOMs, the State Government may release their dues as well as compensate the DISCOMs while implementing new Government policies.

1.6.4 Loans and Advances given by the State Government

Government provides Loans and Advances to autonomous bodies such as Universities, Local Bodies and Urban Development Authorities and Corporations like Telangana Scheduled Castes Cooperative Development Corporation Limited (SCCDCL) and Telangana State Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR), *etc*. **Table 1.19** presents the details of outstanding Loans and Advances during the years 2015-18:

Table 1.19: Details of Loans and Advances by State Government

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

Source: Finance Accounts;

Following observations are made in Audit:

- Loans and Advances to Autonomous Bodies and Corporations (₹6,209 crore) in 2017-18 increased significantly by 83 *per cent* (₹2,807 crore) over previous year. This was higher than Budget Estimates of ₹5,545 crore. Total balance of Loans and Advances given to the end of 31 March 2018 was ₹15,869 crore. Major portion of loans were disbursed for projects relating to Water Supply, Sanitation, Housing and Urban Development (₹2,833 crore) as well as for Social Welfare and Nutrition (₹2,300 crore), Energy (₹294 crore) and Health & Family Welfare (₹276 crore).

- Apart from loans advanced to Telangana Scheduled Castes Cooperative Development Corporation Limited (SCCDCL) and Telangana State Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR) ***(as discussed in Paragraph 1.3.1, Box 1.1),*** Government loans to certain other bodies[24] in 2017-18 amounting to ₹428.45 crore also did not specify conditions like schedule of repayment, rate of interest, number of installments, *etc.*

[24] Hyderabad Metropolitan Development Authority (HMDA) and Hyderabad Metro Rail Limited

- Further, the Government gave fresh loans to three autonomous bodies for servicing their past loans (**Table 1.20**).

Table 1.20: Loans for repayment of past loans

Sl. No.	Organization	Amount (₹ in crore)
1	Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB)	671*#
2	Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB)	524*
3	Telangana State Road Transport Corporation (TSRTC)	70
4	Telangana State Industrial Infrastructure Corporation (TSIIC)	29*
5	Telangana State Industrial Infrastructure Corporation (TSIIC)	4*
Total		**1,298**

Source: Information obtained from organizations concerned

**Two different loans; # for repayment of loans to HUDCO*

- The accounts of bodies like Hyderabad Metropolitan Water Supply and Sewerage Board(HMWSSB) as well as Hyderabad Metropolitan Development Authority (HMDA) were in arrears since 2010-11 and 2014-15 respectively, though Government provided loans amounting to ₹1,194.50 crore and ₹263.72 crore respectively to these institutions.

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 indication of poor financial management.

The current level of recovery of loans was low. An amount ₹5,807 crore was estimated, in the budget, to be recovered in 2017-18. The actual recovery (₹138 crore) in 2017-18 was only 2.38 *per cent*. The Budget Estimates in this regard were consistently inflated in comparison to previous years' recovery trends[25]. **Low recovery and increase in amounts advanced have together led to increase in the stock of loans to ₹6,071 crore and has also impact on the Fiscal Deficit.**

Recommendation 4: The State Government may ensure that future loans and advances to autonomous bodies are predicated on furnishing of audited accounts of the previous year.

1.6.5 Cash balance

The cash balance as at the end of March 2018 was ₹6,993 crore (***Appendix 1.3)***. Out of this, an amount of ₹6,915 crore was cash balance investments (₹2,277 crore) and investments in earmarked funds (₹4,637.09 crore) including Sinking Funds (₹4,045.60 crore) and Guarantee Redemption Fund – Investment Account (₹586.65 crore).

[25] 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 next year was ₹5,807 crore.

State Government maintained the mandatory minimum daily cash balance of ₹1.38 crore with RBI for only 161 days during the year without taking Special Drawing Facility (SDF[26]) or Ways and Means Advances (WMA) or Overdrafts (OD). For 204 days[27], the State Government depended on SDF (for 204 days: ₹11,278.42 crore), WMA (for 127 days: ₹10,878.46 crore) and OD (for 7 days: ₹764.89 crore) for maintaining the minimum balance with RBI. In monetary terms, however, SDF/WMA/OD increased by ₹10,834 crore (90 *per cent* increase) in 2017-18 over 2016-17 indicating increasing dependency of Government on WMA. The interest payment on WMA (including SDF and OD) during 2017-18 was ₹13.82 crore as against ₹7.40 crore in 2016-17, *i.e.,* 86 *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 2018 was ₹1,65,849 crore; its composition is at **Chart 1.14**.

Chart 1.14: Components of total liabilities of the State Government

Total Liabilities (₹1,65,849 crore)		
Internal Debt from Market, financial institutions, *etc.* (₹1,34, 287 crore)	**Loans and Advances from Government of India (₹8,631 crore)**	**Public Account Liabilities where Government acts as a banker(₹22,931crore)**
Market Loans (₹1,11,536 crore)	Loans for Central Plan Schemes(₹8,612 crore)	Small Savings, Provident Fund, *etc.* (₹9,272 crore)
Bonds(₹8,923 crore)	Non Plan Loans (₹19 crore)	Reserve Fund bearing interest(₹90 crore)
Loans from Financial Institutions(₹3,962 crore)		Reserve Fund not bearing interest(₹1,431 crore)
Special Securities issued to NSSF(₹9,674 crore)		Deposits bearing interest (₹819 crore)
Other Loans(₹192 crore)		Deposits not bearing interest(₹11,319 crore)

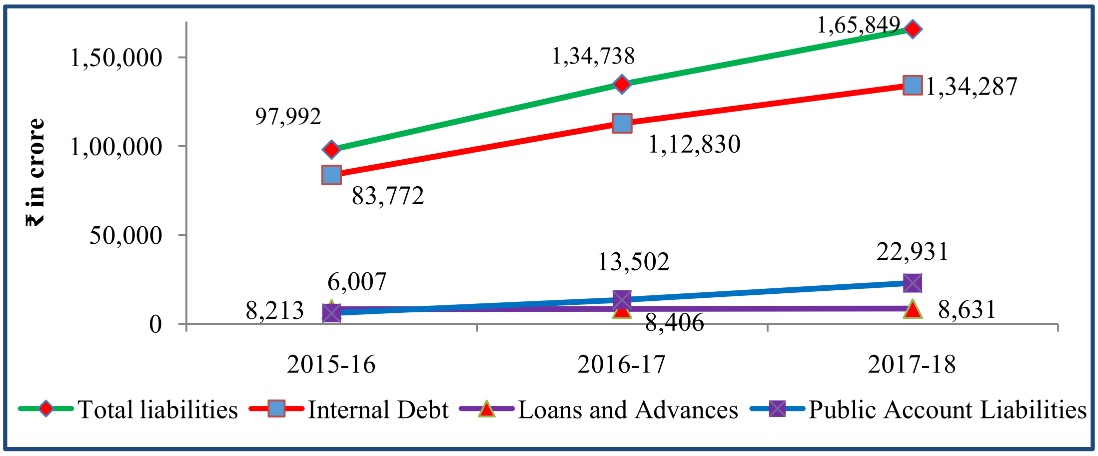
Source: Finance Accounts

Audit analysis showed that the **liabilities are on an ascending trend (Chart 1.15) over the last three years. The total liabilities of the Government are 1.87 times of its Revenue Receipts.** They constitute 22 *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 (MFPS). The liabilities grew by 23 *per cent* over previous year.

26 Previously known as Special Ways and Means Advances
27 The dates on which WMA and overdraft were drawn fall on the same dates on which SDF was availed

Chart 1.15: Trend of liabilities

(₹ in crore)



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 ₹6,157.76 crore lying in these Funds as on 31 March 2018, ₹4,637.09 crore was invested in the GoI Securities, leaving the total net accumulated balance ₹1,520.67 crore as on 31 March 2018. Included in the Reserve Funds were 10 funds which were not in operation from 2012-13 onwards, with a balance of ₹16.43 crore as on 31 March 2018.

The State Government had not made mandatory contributions after 2015-16, to the following Reserve Funds.

1.7.1.1 Consolidated Sinking Fund

The Sinking Fund was created in 1999-2000 for amortization of the State's liabilities. As per the guidelines[28], the State Government was required to make annual contributions to the Sinking Fund at 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year. The State Government contributed ₹384.93 crore in 2015-16. The State Government did not make any contribution thereafter. The aggregate shortfall of contribution to the Fund for the years 2016-18 was ₹1,163 crore (₹489.96 crore in 2016-17 and ₹673.69 crore in 2017-18). During this period, State's liabilities rose by 69 *per cent* from ₹97,992 crore as of March 2016 to ₹1,65,849 crore in March 2018. The balance in the fund as of March 2018 was ₹4,085.89 crore.

1.7.1.2 Guarantee Redemption Fund

As per guidelines of Reserve Bank of India, Government of Telangana created[29] (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

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[28] revised in January 2010 as per the recommendations of 12th Finance Commission
[29] G.O. Ms. No. 4, Finance (DCM) Department, dated 11.06.2014

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, ₹209.45 crore was to be contributed during this year.

The State Government made a contribution of ₹83.94 crore in 2015-16 to the Fund and thereafter stopped further contributions. The aggregate shortfall in contribution for the last two years was ₹282.90 crore. The total available balance in GRF as of March 2018 was ₹586.65 crore[30]. This was only 1.46 *per cent* of the outstanding amount of guarantees (₹41,892 crore) as against the targeted three *per cent*. The Government replied that efforts would be made to reach the targeted level of three *per cent* in five years.

1.7.1.3 State Disaster Response Fund

The State Government constituted State Disaster Response Fund (SDRF) in 2010-11 replacing the erstwhile Calamity Relief Fund. As per the guidelines of the Fund, the Central and State Governments are required to contribute to the Fund in proportion of 75:25 respectively. There were no contributions to SDRF during 2017-18.

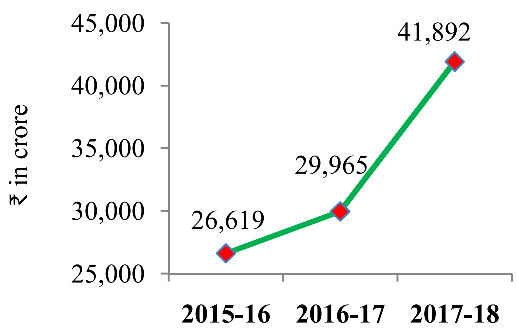
An amount of ₹58.40 crore was released by GoI towards National Disaster Response Fund (NDRF). The same was transferred to the Fund during the period. Expenditure of ₹100.06 crore incurred on natural calamities during the period was set off (MH 2245-05) against Fund balance of ₹166.77 crore (including Opening Balance of ₹108.37 crore), thus leaving the closing balance of ₹66.71 crore as on 31 March 2018.

Recommendation 5: The State Government must ensure that the contributions to Reserve Funds are made annually as stipulated, to enable a firm funding stream for the purpose of the Funds.

1.7.2 Guarantees

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 (₹41,892 crore) (Chart 1.16) to end of 2017-18 stood at 51 *per cent* of total Revenue Receipts of the preceding year (₹82,818 crore) and was thus within the FRBM ceiling (90 *per cent*).**

Chart 1.16: Status of Outstanding Guarantees

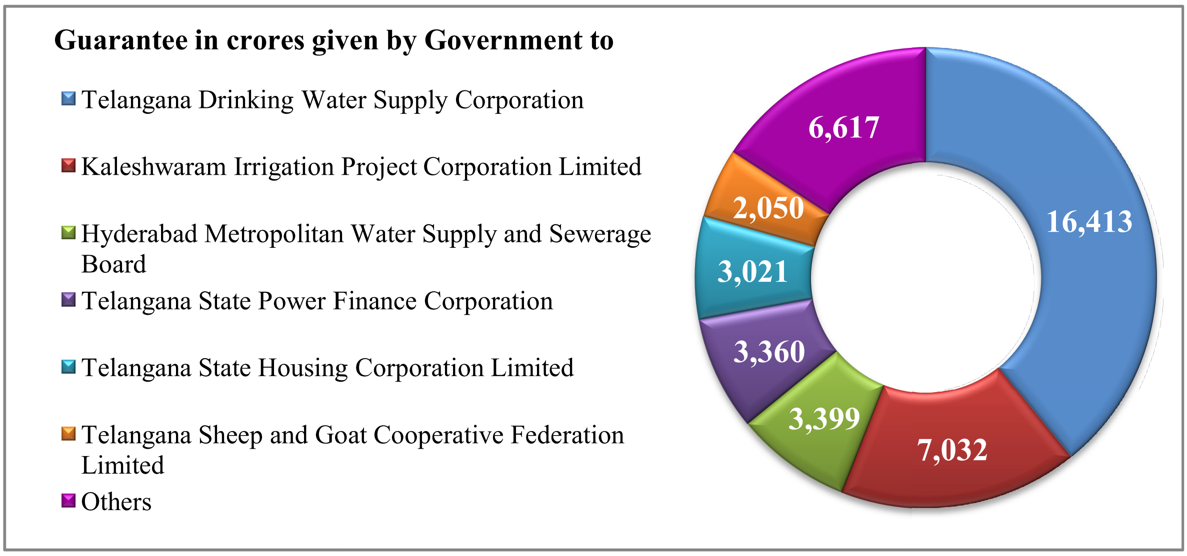


Source: Finance Accounts

[30] including interest earned of ₹46 crore during the year

Government categorised the guarantees as 100 *per cent* risk weighted *i.e.*, the risk of default was borne by the State Government. Out of the loans guaranteed by the Government, 39 *per cent* are pertaining to Telangana Drinking Water Supply Corporation which was implementing a flagship project: Mission Bhagiratha (**Chart 1.17**).

Chart 1.17: Bodies in receipt of guarantees at the end of 31 March 2018



Source: Finance Accounts

The erstwhile Government of Andhra Pradesh (Combined) issued (2003) instructions[31] to be followed while providing guarantees. Audit analysed the compliance of the instructions contained in the Government Order (GO) by the State Government while extending the guarantees during 2017-18. The following are the findings in Audit:

- The GO required that the financial performance of the borrowing entity shall be analysed in terms of its profitability, operational strength, and financial ratios. The Government extended Guarantees to loans taken by Hyderabad Metropolitan Water Supply and Sewerage Board (₹3,399 crore) whose annual accounts were in arrears from 2010-11 onwards. This indicates that the Government has given guarantees to the organisation without enforcing financial accountability.
- The Government Orders 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 were, however, extended by the Government for the interest portion also on the loan amounting to ₹71.03 crore in respect of two borrowing entities[32]. 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

[31] G.O.Ms.No.446, dated 29 September 2003
[32] Singareni Collieries Company Limited (₹66.33 crore) and Co-operative Sugar Factories (₹4.70 crore)

entity. No revenue on account of Guarantee Commission (₹209.45 crore[33]) was, however, received under sub-head 08 – Commission for Guarantees given by the Government[34] so far. The Government stated that the issue of charging Guarantee Commission at a prescribed rate is under consideration.

The analysis showed the State Government had extended guarantees to loans, which were categorised as 100 *per cent* risk weighted, taken by bodies whose accounts were pending finalisation for a long period indicating absence of any risk assessment.

Recommendation 6: The State Government must comply with its own orders and ensure that a comprehensive risk assessment informs its decisions to provide guarantees.

1.7.3 Debt Management

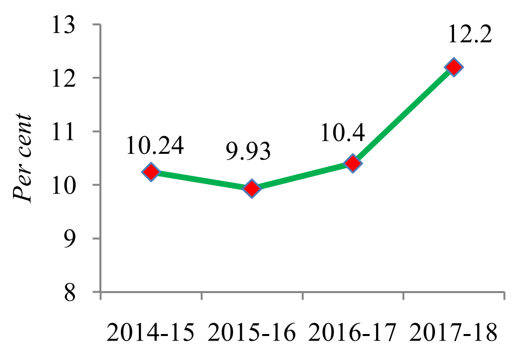
Outstanding Public Debt of the State Government (internal debt and loans & advances from Government of India) as of 31 March 2018 is ₹1,42,918 crore. **The Outstanding debt increased by 18 *per cent* over the preceding year, at a higher rate than the growth of GSDP.**

1.7.3.1 Net availability of borrowed funds

The Net availability (₹10,846 crore) of borrowed[35] funds (₹26,231 crore) after providing for interest payments (₹10,836 crore) and repayment of borrowings (₹4,549 crore), was positive (41 *per cent*), indicating availability of borrowed funds for purposes other than debt repayment. This was, however, lower than previous year (₹20,642 crore) significantly limiting the scope for development activities.

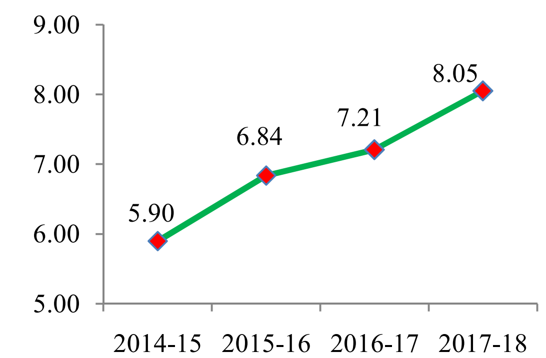
1.7.3.2 Debt analysis – Debt Sustainability and trends of debt repayment

Chart 1.18: Interest payments as a *per cent* of Revenue Receipts



This indicates that interest payments are increasingly consuming Revenue Receipts

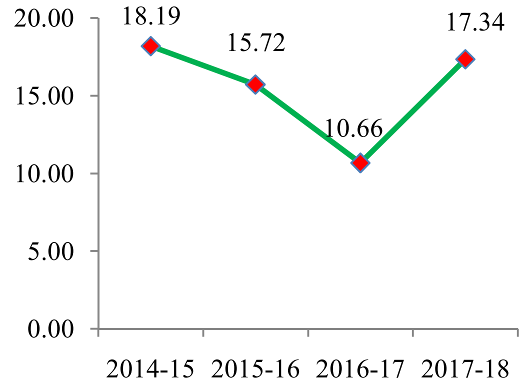
Chart 1.19: Trend of Debt Repayment versus Tax Revenue (in *per cent*)



This indicates that 8 *per cent* of Tax Revenues is utilised for debt repayments*

33 Calculated @ 0.5 *per cent* on the total guaranteed amount of ₹41,892 crore
34 Major Head 0070 – Other Administrative Services, 60- Other Services, Minor Head 800 – other receipts
35 excluding Ways and Means advances in Public Debt

Chart 1.20: Trend of Debt Repayment versus Debt Receipts (in *per cent*)



This indicates that 17 *per cent* of debt receipts are used to repay old outstanding loans

Debt to GSDP ratio of the State has increased from 15.29 *per cent* in 2014-15 to 19 *per cent* in 2017-18 (Refer Para 1.3.1). Debt position of the State Government is, further, analysed through other parameters in the **Chart 1.18, 1.19** and **Chart 1.20**.

The State Government, while accepting this, stated (January 2019) that the ratio between average interest rate (at about 8.5 *per cent*) and nominal GSDP growth rate (at about 14 *per cent*) was an indicator that finances are stable.

Source: Finance Accounts; Note: excluding Ways and Means Advances

**Government stated that initially for two years after bifurcation, the Andhra Pradesh Government made the debt repayment, which are now being reimbursed by Telangana Government*

It was observed that the interest payments relative to Revenue Receipts were much higher at 12.19 *per cent* as compared to the target of 8.31 *per cent* fixed by 14th Finance Commission.

Market borrowings (₹1,11,536 crore) form a major portion (83 *per cent*) of the internal debt (₹1,34,287 crore) of the State Government, with interest rates ranging from 5 to 13.99 *per cent*. In 2017-18, the State Government borrowed fresh market loans of ₹24,600 crore and repaid ₹2,772 crore. The outstanding market borrowings as of 31 March 2018 were ₹1,11,536 crore. The net increase of market borrowings during the year was 24 *per cent* (₹21,828 crore).

Chart 1.21: Internal Debt Taken

(₹ in crore)

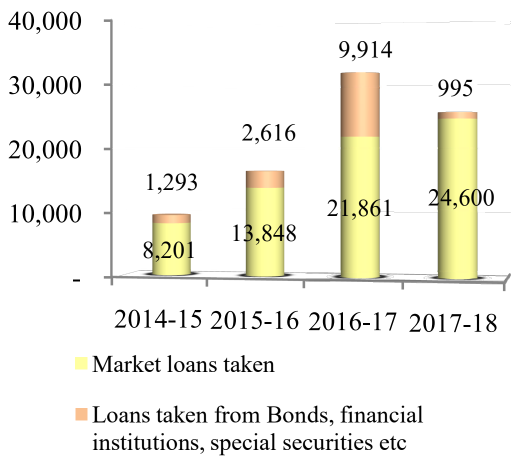
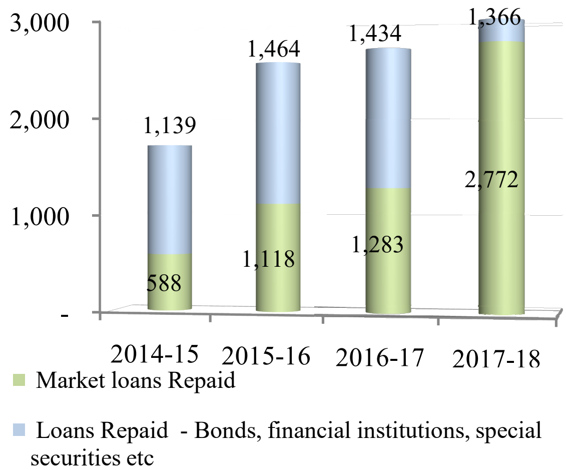


Chart 1.22: Internal Debt Repaid

(₹ in crore)

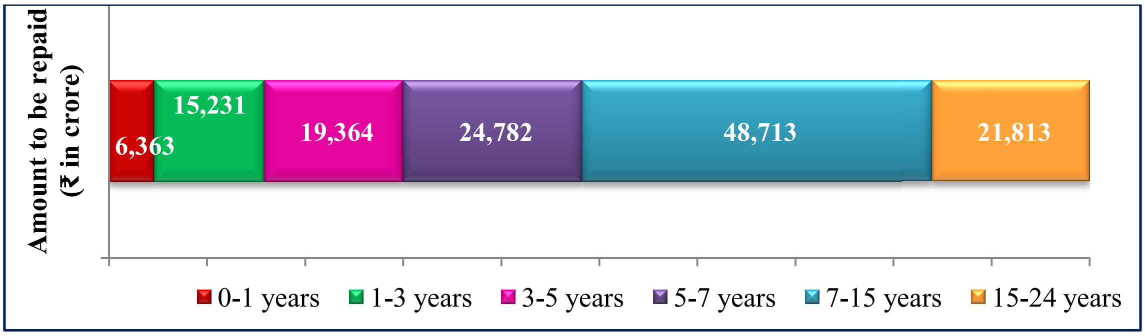


Source: Finance Accounts

1.7.3.3 Debt repayment schedule

Public Debt maturity profile **(Chart 1.23)** indicates commitment on the part of the Government for debt repayment or debt servicing in the coming years.

Chart 1.23: Debt Maturity profile



Source: Finance Accounts

Note: The total of ₹1,36,266 crore above varies with total outstanding debt of ₹1,42,918 crore due to (i) non-availability of maturity details for debt servicing for ₹6,284.32 crore in the Finance Accounts and (ii) bifurcation of Andhra Pradesh and Telangana (₹368.17 crore)

The maturity profile of outstanding stock of public debt as on 31 March 2018 showed that 48 *per cent* (₹65,740 crore) of the total outstanding debt was in the maturity bucket of one to seven years and the balance of ₹70,526 crore (52 *per cent*) from seventh year onwards. **The State needs to augment its resources or would be forced to curtail its Capital Expenditure to meet the increasing debt repayment burden over the next seven years.**

Box 1.5: Long Term Projections

The outstanding public debt of the State Government as of 31 March 2018 was ₹1,42,918 crore (paragraph 1.6.1). Apart from servicing the debt, the State Government is also committed to fund 19 capital intensive irrigation projects that are in various stages of construction. The revised cost of these projects is ₹1,32,928 crore, out of which ₹70,758 crore was spent, leaving a further financial requirement of ₹62,170 crore. In addition, the Government took up Palamuru Ranga Reddy Lift Irrigation Scheme in 2017 with a cost of ₹35,200 crore.

Thus Government will need to mop up more than ₹1.63 lakh crore[36] over the next seven years to meet its commitments. Government also carries a direct contingent liability for another ₹41,892 crore by way of Guarantees. Thus, the total outstanding commitment of the Government in the form of direct and indirect payments turns out to be ₹2.05 lakh crore. It may be noted that commitments on only irrigation projects and guarantees were accounted for in the above calculations.

Recommendation 7: The State Government may undertake a study, supported by future projections, to measure its total fiscal commitments and the ability to meet them. Such study can inform the risk assessment on its future borrowings.

[36] ₹65,740 crore towards debt repayment, ₹97,370 crore for commitment towards irrigation projects (₹62,170 crore for ongoing projects and ₹35,200 crore for Palamuru Rangareddy Lift Irrigation Scheme)

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 2011). Important targets relating to fiscal variables are to be amended from time to time in accordance with the Central Finance Commissions' recommendations. **Government of Telangana, however, is yet to amend its FRBM Act in accordance with the recommendations of the Fourteenth Finance Commission, especially on fiscal imbalances of the State Government viz., Revenue Deficit, Fiscal Deficit and Primary Deficit.**

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 10 disclosures required to be made:

- Statement of Assets;
- Claims and commitments made by the Government on revenue demands raised but not realized;
- 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 14th Finance Commission Ceiling and achievements

Achievement of Government in key indicators in terms of targets prescribed by the 14th Finance Commission with regards to fiscal reform path is as below:

- As per 14th Finance Commission recommendations, the outstanding debt to GSDP ratio (in *per cent*) was to be less than 22.82 *per cent* for the year 2017-18. The achievement of the Government was 19 *per cent*, which is within the permissible limit.
- The ceiling limit prescribed by the 14th Finance Commission for Fiscal deficit was 3.50 *per cent* of the GSDP (₹7,52,230 crore). The achievement in 2017-18 (₹26,700 crore) was 3.55 *per cent*, which is marginally higher.

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 2018 is as under (details are at ***Appendix 1.7*)**:

- From out of balance of ₹4,083.52 crore available under un-apportioned Small Savings and Provident Fund, an amount of ₹1,702.01 crore was apportioned to Telangana and ₹2,381.51crore was apportioned to Andhra Pradesh in 2017-18. The Reserve Funds were also apportioned.
- An amount of ₹1,51,349.67 crore under Capital Heads and an amount of ₹28,099.68 crore under Loans and advances was, however, yet to be apportioned even after more than four 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 per IX Schedule of Andhra Pradesh Re-organisation Act, 2014, a total of 91 institutions including Companies and Corporations were to be de-merged. An expert committee constituted (May 2014) was to give recommendations on the de-merger proposals of these institutions. The Committee has given its recommendations for de-merger in respect of 86 institutions. The Andhra Pradesh Government accepted the recommendations for demerger in respect of 40 institutions. The Telangana State Government did not accept recommendations (except in respect of two institutions) on the grounds that the recommendations were in deviation of the Act and overlook the definition given by the Government of India in May 2017.

  Out of the above 91 institutions, the Telangana Government obtained information with regards to assets and liabilities in respect of only 62 institutions. The cash balance as on 2 June 2014 (the date of coming into force of Andhra Pradesh State Re-organisation Act) in these 62 institutions was **₹3,189.26 crore** apart from fixed assets. The details of the remaining were not furnished by Telangana Government.

Thus, apportionment of assets and liabilities between Andhra Pradesh and Telangana has not been completed even after four years.

Recommendation 8: The State Government may take steps to ascertain the assets and liabilities in remaining Schedule IX institutions and also take concrete steps for apportionment of Capital Heads and Loans and Advances.

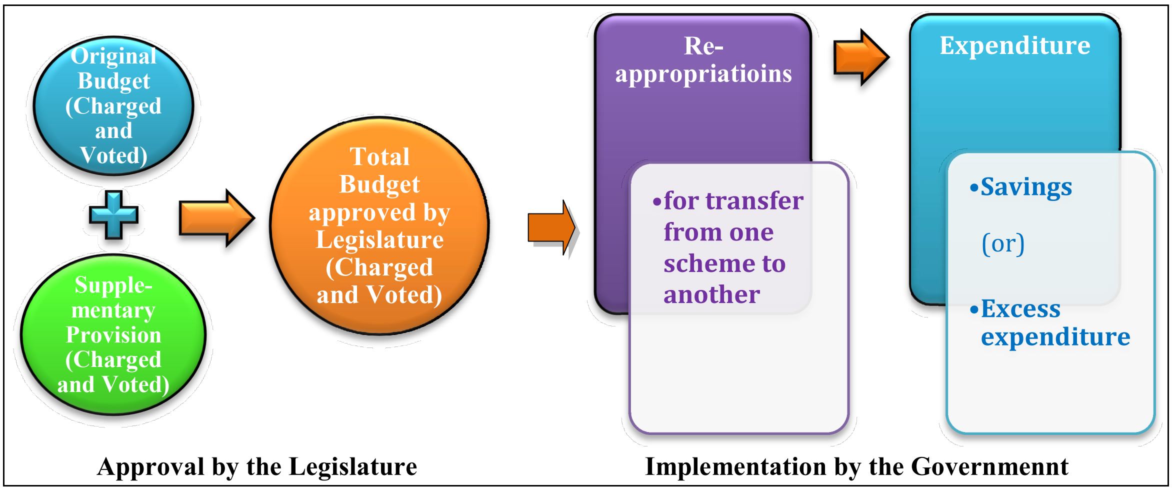
Chapter 2 Financial Management and Budgetary Control

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, that 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 2017-18.

2.1 Financial Accountability and Budget Management

Government of Telangana has adopted[1] Codes/Rules/Manuals of Andhra Pradesh with effect from 2 June 2014. The State Legislature initially approves the annual budget. The Government presents ***Supplementary demands*** (Para 15.24 of the Budget Manual) before the Legislature, when the initial allocation is found to be inadequate or expenditure has to be incurred on a new item. Further, Re-appropriation is a mechanism which allows the State Government to transfer Savings from one sub-head (usually a scheme) to another, provided such transfers occur **within the same Grant[2] and under the same section[3]**. 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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure in 2017-18 against 40 grants / appropriations is in **Table 2.1.**

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[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 or Loans

Table 2.1: Position of actual expenditure vis-à-vis allocations in 2017-18

(₹ in crore)

Nature of expenditure		Original	Supple-mentary	Total	Actual Expenditure	Savings(-)/ Excess(+)with reference to total budget	Savings/ Excess in percentage
Voted	Revenue	97,967.10	7,726.33	1,05,693.42	79,979.90	(-)25,713.52	*(-)24*
	Capital	31,034.82	19,326.73	50,361.54	24,202.07	(-)26,159.47	*(-)52*
	Loans and Advances	5,544.85	2,470.02	8,014.86	6,395.36	(-) 1,619.50	*(-)20*
Total Voted		**1,34,546.76**	**29,523.07**	**1,64,069.83**	**1,10,577.34**	**(-)53,492.49**	***(-)33***
Charged	Revenue	10,750.16	11.39	10,761.55	11,047.89	286.34	*3*
	Capital	38.87	16.93	55.81	31.59	(-) 24.22	*(-)43*
	Public Debt-Re-payment	4,659.48	24.51	4,683.99	27,471.10*	22,787.11	*486*
Total Charged		**15,448.51**	**52.84**	**15,501.34**	**38,550.57**	**23,049.23**	***149***
Grand Total		**1,49,995.26**	**29,575.91**	**1,79,571.17**	**1,49,127.91**	**(-) 30,443.26**	***(-)17***

Source: Appropriation Accounts

** includes repayment of Ways and Means Advances of ₹22,922 crore*

The total provision for expenditure in 2017-18 was **₹1,79,571 crore**. The actual gross expenditure during the year was **₹1,49,128 crore** (83 *per cent*). There was an overall savings of ₹58,614 crore and excess of ₹28,171 crore which resulted in net savings[4] of ₹ 30,443 crore in 2017-18.

2.2.1 Revenue, Capital and Loans and Advances

As per para 15.10 of the Budget Manual, the Government expenditure is categorised into three sections (i) Revenue expenditure[5], (ii) Capital expenditure[6] and (iii) Loans and advances[7]. Savings occurred in both Revenue and Capital Account, while excess expenditure occurred in Loans and Advances (**Chart 2.2**).

[4] Savings is the term used for indicating the amount that could not be spent out of budget provisions

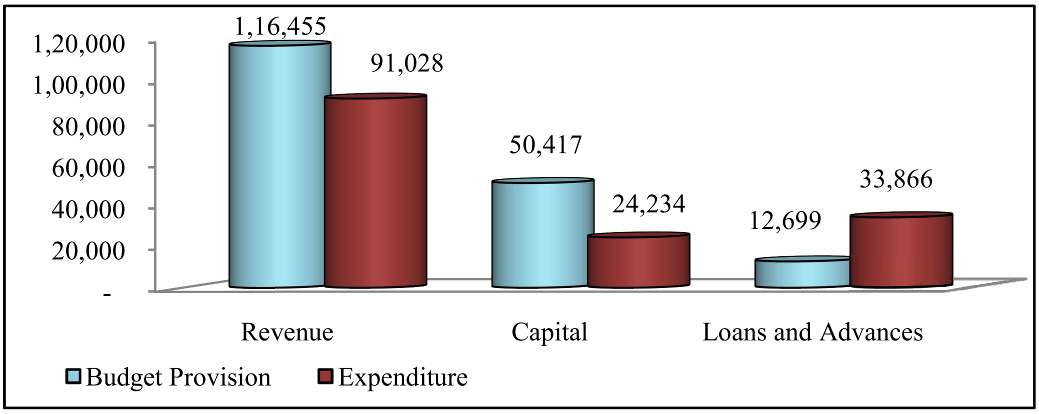
[5] Revenue expenditure is the account of current expenditure of the State. For example, wages, salaries, maintenance works, repairs *etc*.

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

[7] 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

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

(₹ in crore)



Source: Appropriation Accounts

In Capital Account, only less than half the budget provision was actually spent. Substantial savings occurred in flagship Kaleshwaram Project (₹2,607.57 crore, 37 *per cent*), Palamuru Ranga Reddy Lift Irrigation Scheme (₹2,052.73 crore, 51 *per cent*) and Mission Bhagiratha (₹2,021.67 crore, 80 *per cent*).

Revenue Expenditure (₹91,028 crore) was lower than the Budget Estimates (₹1,16,455 crore) by 22 *per cent*. The programmes impacted by unspent savings of budget provisions were Assistance to Municipalities for Development Works[8] (₹506.63 crore); Pradhan Mantri Awas Yojana (a housing scheme) (₹1,440.47 crore); Economic Support Schemes and Land Purchase Scheme (₹798.52 crore) as well as Subsidy on rice and power (under Agriculture) (₹393.78 crore) and Aasara Pensions to old age persons and widows (₹114.37 crore).

Expenditure on Loans and Advances section was in excess (₹21,167 crore) of Budget Estimates, mainly on account of repayment of Ways and Means Advances (₹22,922 crore).

2.2.2 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 expenditure in Telangana Government is incurred through 40 different Grants. For the purpose of determining excess expenditure or savings, Revenue (voted), Revenue (charged), Capital (voted), Capital (charged) and Loans (voted) are treated as independent grants. Savings and Excess expenditures for grants/ appropriations under Revenue, Capital and Loans and Advances section are in **Table 2.2**:

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[8] Since the government assistance is in the form of grants, these are classified as revenue expenditure. The assets created will be in the name of the Municipalities/ PRIs

Table 2.2: Total excess or savings under different grants

Description	Revenue		Capital		Loans and Advances		Amount (₹ in crore)
	Number of grants[9]	Number of appro-priations[10]	Number of grants	Number of appro-priations	Number of grants	Number of appro-priations	
Savings occurred in	33	5	33	3	11	--	58,614.53
Excess expenditure occurred in	7[11]	1[12]	2[13]	--	1[14]	1[15]	28,171.27

Source: Appropriation Accounts

The grants in which high savings and high excess expenditure occurred are listed in ***Appendix 2.1***.

Excess expenditures were in Grants that provide funds for day to day administration whereas savings were in Grants under which major schemes are implemented.

2.2.2.1 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.

(i) ***Excess expenditure in current year:*** It was observed that excess expenditure of ₹28,171.27 crore was incurred in 10 grants and two appropriations (including public debt) (details in ***Appendix 2.2***).

- The excess expenditure under Grant IX – Fiscal Administration, Planning, Surveys and Statistics was mainly on account of (i) repayment of Ways and Means Advances[16] (₹22,921.77 crore) to the Reserve Bank of India under Loans section and (ii) superannuation and retirement allowances[17] (₹1,601.37 crore) under Revenue.
- Excess expenditure of ₹602.36 crore in Grant X – Home Administration (Revenue Voted) was mainly under Minor Head "District Police" [18] (District Police Force-

9 Grants are the provisions voted by the Legislature for incurring voted expenditure
10 Appropriation is the provision made in the budget for incurring expenditure which is directly charged and not subject to the voting of the Legislature
11 I-State Legislature (₹ 13.90 crore), VI-Excise Administration (₹ 37.43 crore), IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 2,592.63 crore), X-Home Administration (₹ 958.49 crore), XII-School Education (₹ 15.52 crore), XXIX-Forest, Science, Technology and Environment (₹ 156.78 crore) and XXXI-Panchayat Raj (₹ 803.51 crore)
12 IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 342.74 crore)
13 I-State Legislature (₹0.03 crore) and IX-Fiscal Administration, Planning, Surveys and Statistics (₹341.07 crore)
14 IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 122.06 crore)
15 IX-Fiscal Administration, Planning, Surveys and Statistics (₹ 22,787.11 crore)
16 Total provision ₹100 crore; actual expenditure ₹22,921.77 crore
17 Total provision ₹7,315.43 crore; actual expenditure ₹8,916.80 crore
18 Total provision ₹1,98,153 crore; actual expenditure ₹2,583.89 crore

₹411.55 crore; Cyberabad Police - ₹108.86 crore and Rachakonda Police-₹82.33 crore).

- Excess expenditure (₹803.51 crore) in Grant XXXI – Panchayat Raj (Revenue Voted) was mainly on account of incurring expenditure without budget provision on Minor Heads (i) transfer of reserve funds and deposit accounts to Telangana Rural Development Fund (₹372.95 crore) and (ii) assistance to local bodies and Municipalities for Swachh Bharath Mission - Gramin (₹368.92 crore).

Box 2.1: Expenditure without authorization of the Legislature

In 2017-18, a total expenditure of ₹2,217.96 crore was incurred without any budget provision, *i.e.,* neither in original nor in supplementary in 36 cases (at subhead level) in respect of 14 grants (details in ***Appendix 2.3***). These amounts were mainly spent on:

- Swachh Bharat Mission -Gramin (SBM-G) (₹483.46 crore);
- Transfer to Telangana Rural Development Fund (₹372.95 crore);
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (₹316.13 crore);
- National Rural Drinking Water Programme (NRDWP) (₹ 173.00 crore);
- Contribution to Contributory Pension Scheme of Telangana State Aided Educations Institutions Employees (₹163.53 crore) and
- Gudumba Effected Persons Rehabilitation Scheme (₹109.62 crore)

The Finance Department during the Exit Conference (January 2019) stated that these pertain to Central Schemes.

The expenditure, however, has been incurred from the Consolidated Fund of the State and as such approval of the Legislature was required. Further, Gudumba Effected Persons Rehabilitation Scheme is a State Scheme.

Incurring huge expenditure without the budget provision (original or supplementary) undermines the authority of the Legislature.

(ii) ***Persistent excess expenditures:*** Cases of excess expenditure are reported every year through Audit Reports on State Finances. There were, however, grants in which excess expenditure has occurred persistently during the last three years. The details are in **Table 2.3** below:

Table 2.3: Grants in which persistent excess expenditure in last three years

(₹ in crore)

Sl. No.	Number and Name of the Grant	Amount of Excess		
		2015-16	2016-17	2017-18
Revenue Voted				
1.	IX-Fiscal Administration, Planning, Surveys and Statistics	4,934.94	4,334.47	2,592.63
2.	X-Home Administration	328.30	1,040.21	958.49
Loans Voted				
3.	IX-Fiscal Administration, Planning, Surveys and Statistics	322.50	2.16	122.06

Source: Appropriation Accounts

Such repeated excess expenditure over grants approved by the State Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the House of the People/State Legislative Assembly, and, therefore, need to be viewed seriously. It is important to note that the persistent excess have mainly occurred in Finance Department.

Recommendation 9: State Government may analyse the reasons for persistent excess expenditure, placing Grant IX – fiscal administration on priority. The finance Department should ensure that no Departmental controlling officers, including the Finance Department itself, resort to excess expenditure over the regular allocations approved by the State Legislature.

2.2.2.2 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 regularized after discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

The State Government, however, failed to get the excess expenditure amounting to ₹27,346 crore[19] over and above the allocation, pertaining to the years 2014-15 to 2016-17, regularised as of November 2018.

Recommendation 10: All the existing cases of excess expenditure need to be got regularised at the earliest and, in future, completely stop such expenditure which has not received the vote of the State Legislature, with the exception of case(s) of dire and extreme emergency, the cost of which cannot be met from the Contingency Fund.

[19] **Revenue Voted** – 2014-15:Nil; 2015-16: Four Grants - ₹5,361.08 crore &; 2016-17: 10 Grants - ₹6,261.27 crore, **Revenue Charged:** 2014-15: One Appropriation - ₹1.42 crore; 2015-16: One Appropriation - ₹9.37 crore; 2016-17: Three Appropriations - ₹13,127.30 crore, **Capital Voted**: 2014-15: Three Grants - ₹294.98 crore; 2015-16: Two Grants - ₹2.78 crore; 2016-17: Four Grants - ₹1,762.83 crore, **Loans Voted**: 2014-15: Two Grants - ₹7.25 crore; 2015-16: Two Grants - ₹507.56 crore; 2016-17: Two Grants - ₹10.19 crore

2.2.2.3 Savings

In the year 2017-18, the total savings were ₹58,614 crore. Of which, ₹56,856 crore (97 *per cent*) pertain to 25 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 2014-18, there were cases of persistent savings of more than ₹500 crore each as shown in **Table 2.4**:

Table 2.4: Grants/Appropriations with persistent savings during the years 2014-18

S. No.	Grant No.	Name of the Grant/ Appropriation	Savings ₹ in crore (*per cent*)			
			2014-15	2015-16	2016-17	2017-18
Revenue Voted						
1.	XVI	Medical and Health	1,299.38*(36)*	1,396.21(*30*)	2,724.28(*41*)	1,497.61(*27*)
2.	XVII	Municipal Administration and Urban Development	2,646.79(*70*)	1,286.68(*40*)	4,121.44(*75*)	3,085.72(*67*)
3.	XVIII	Housing	697.39(*66*)	529.16(*48*)	1,116.43(*98*)	1,470.72(*73*)
4.	XXI	Social Welfare	2,196.51(*69*)	3,550.73(*57*)	3,309.19(*53*)	3,812.20(*40*)
5.	XXII	Tribal Welfare	827.76(*59*)	1,421.67*(42)*	1,086.02*(38)*	1,648.59*(31)*
6.	XXVII	Agriculture	1,863.17(*26*)	1,366.57*(20)*	1,598.21*(24)*	1,344.18*(24)*
Capital Voted						
7.	XI	Roads, Buildings and Ports	1,377.91*(52)*	3,121.91*(61)*	1,929.95*(36)*	2,041.38*(46)*
8.	XXXI	Panchayat Raj	2,003.68*(90)*	1,121.21*(38)*	1,199.80*(35)*	3,881.15*(59)*

Source: Appropriation Accounts

Box 2.2: National Health Mission

In 2017-18, there was a saving of ₹317.62 crore under National Health Mission in respect of Grants-in-Aid to be provided to Institutions. Similar savings occurred in 2016-17 (₹95.39 crore) and 2015-16 (₹660.72 crore).

Even out of the amounts drawn of ₹285.09 crore and ₹408.80 crore in 2016-17 and 2015-16 respectively, there were unspent balances with the implementing agencies. Such unspent savings at the field level were ranging from 54 to 61 *per cent* during the years 2014-17[20].

The State Government attributed the savings to release of funds by the Government of India in the last quarter of financial years. The Government replied (January 2018) that facility-wise analysis on utilisation of funds under Reproductive and Child Health would be conducted immediately. The results of such analysis, however, were not communicated to audit (November 2018).

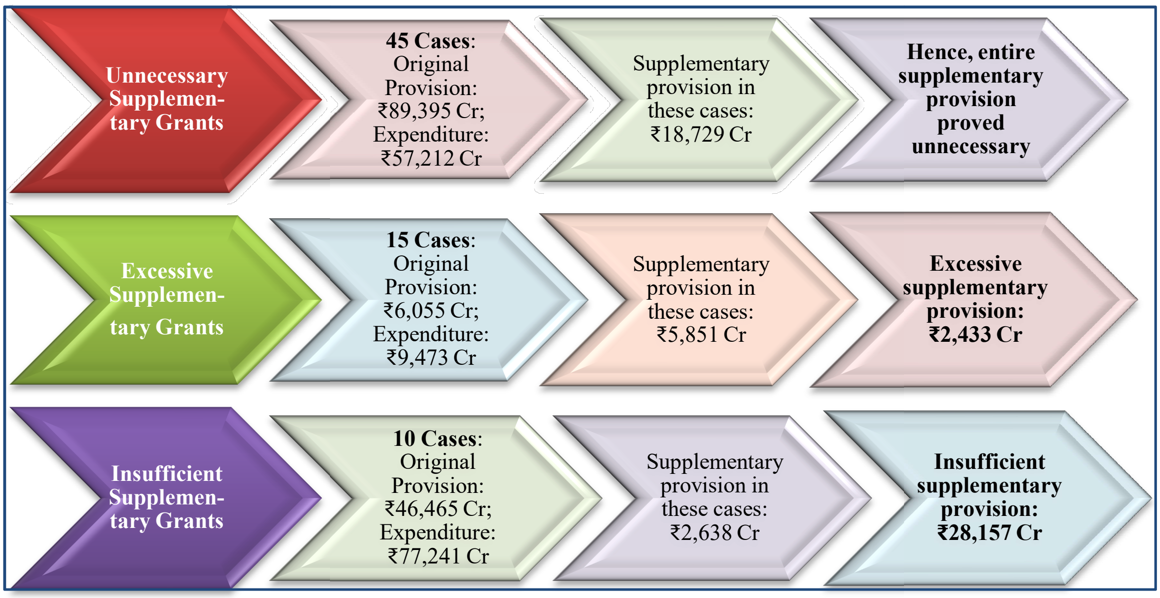
Persistent Savings under Medical and Health as also in Social Welfare Sector indicate that the schemes under these departments did not receive the required priority by the Government and there was inefficiency in implementation by the departments concerned / implementing agencies.

[20]CAG's Report No.4 of 2018: Para 2.1 on National Rural Health Mission (NRHM)

2.2.3 Supplementary Grants

Audit analysis showed that supplementary grant (Rupees one crore and above) of ₹21,162 crore[21] *i.e.,* 72 *per cent* of total supplementary grant was unnecessary in 60 cases. On the other hand, in 10 cases the supplementary grant of ₹2,638 crore was not adequate to meet the requirement and fell short by 91 *per cent* (**Chart 2.3**).

Chart 2.3: Unnecessary, Excessive and Insufficient Supplementary Provisions



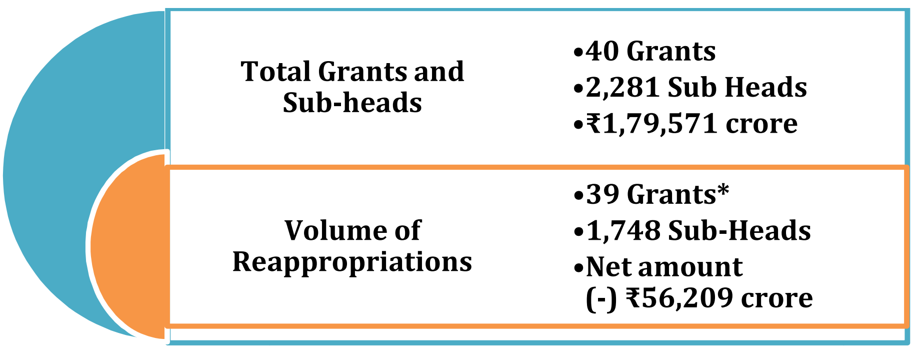
Source: Appropriation Accounts

2.2.4 Re-appropriations

By definition, Re-appropriations are meant for transfer of saving from one scheme / unit to another within the same grant and under same section (*i.e.*, Capital, Revenue or Loans). Finance Department, however, issued[22] re-appropriation orders to mainly withdraw the budget provisions, on the last day of the financial year.

Audit analysis of Re-appropriations is depicted in **Chart 2.4**.

Chart 2.4: Re-appropriation in the overall budget



Source: Appropriation Accounts

** except Grant II – Governor and Council of Ministers*

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[21] ₹18,729crore+₹2,433 crore

[22] Finance Department has a view of the unspent balances under each Grant through the portal: IMPACT on the basis of which it issues orders for withdrawing the budget provision

The Finance Department had informed (May 2018) that (i) all the bills are submitted, processed and payments made through electronic systems, (ii) there was a seamless integration of Treasuries with Banks, (iii) daily cash balance was being monitored electronically and (iv) Re-appropriations are generated electronically through IMPACT software. Despite that there were 44 cases[23] of excess expenditure (₹6,064 crore) and 23 cases[24] savings (₹4,229 crore), even after re-appropriation on the last working day.

This indicates that the expenditure control mechanism was not adequate and that re-appropriation was not done on the the basis of real-time data.

Recommendation 11: Leveraging advancements in Information Technology, the State Government may issue re-appropriations on the basis of real-time data on committed expenses and actual receipts.

The State Government stated (January 2019) that the issue would be looked into and it could be possible to implement the recommendation with available technology.

2.3 Review of selected Grants

A detailed scrutiny of two grants *viz*., (i) Grant No. XVII - Municipal Administration and Urban Development (MA & UD) and (ii) Grant No. XXI - Social Welfare was conducted in audit. At an aggregate level, there were savings under both grants. More than half the budget under MA & UD remained unspent (**Table 2.5**) making the supplementary provisions unnecessary.

Table 2.5: Budget provisions, Expenditure and Savings under selected Grants

(₹ in crore)

Section	Original	Supple-mentary	Total	Expenditure	Savings (-)	Withdrawal/ Surrender
Grant No. XVII- Municipal Administration & Urban Development						
Revenue	3,301.50	1,311.84	4,613.34	1,527.63	(-) 3,085.72	3,069.32
Loans	2,297.50	13.73	2,311.23	1,622.95	(-) 688.28	688.28
TOTAL	**5,599.00**	**1,325.57**	**6,924.57**	**3,150.57**	**(-) 3,774.00**	**3,757.60**
Grant No. XXI-Social Welfare						
Revenue	9,490.67	150.34	9,641.01	5,828.81	(-) 3,812.20	3,333.95
Capital	887.63	123.43	1,011.06	295.74	(-) 715.31	631.43
Loans	0.00	1,500.00	1,500.00	1,500.00	0.00	0.00
TOTAL	**10,378.29**	**1,773.77**	**12,152.06**	**7,624.55**	**(-)4,527.51**	**3,965.38**

Source: Appropriation Accounts

Audit further analysed the impact of the savings.

(i) **Municipal Administration and Urban Development (MA & UD):** The expenditure (₹11.21 crore) by the State Government was only three *per cent* of the budget allocations in respect of Development of Road network in GHMC and surrounding

[23] Final excess of ₹10 crore and above
[24] Final savings of ₹10 crore and above

urban local bodies, with a savings of ₹366.13 crore, delaying the development activities. Following were some of the programmes, which suffered as budget allocations were withdrawn in full or in major portion: Pradhan Mantri Awas Yojana (₹400.53 crore, 100 *per cent* savings), Assistance to Municipalities for Development works (₹388.83 crore, 91 *per cent* savings), Musi River Front Development (₹377.35 crore, 100 *per cent* savings), Assistance to Municipal Corporations (₹288.42 crore, 96 *per cent* savings) and Smart Cities (₹150.94 crore, 100 *per cent* savings).

(ii) **Social Welfare:** Economic Support Scheme and Land Purchase Scheme (₹798.52 crore, 60 *per cent* savings), Mission Bhagiratha (₹536.70 crore, 100 *per cent* savings), Two Bed Room Houses (₹315 crore, 100 *per cent* savings), Post RTF scholarships (₹255.02 crore, 50 *per cent* savings), Government residential centralized schools (₹143.20 crore, 22 *per cent* savings), additional facilities to the student of SC Hostels in the new State of Telangana (₹123.55 crore, 95 *per cent* savings) and Assistance to PR institutions for construction of rural roads (₹108.15 crore,100 *per cent* savings) programmes suffered as budget allocations were withdrawn either totally or in majority.

Further, no expenditure could be incurred by Telangana SC Cooperative Development Corporation Limited (SCCDCL) as a ₹1,500 crore loan was released (19 March 2018) to it at the fag end of the year. The amount was in the PD account of SCCDCL at the end of the year.

2.4 Scheduled Castes and Tribal Sub-Plan

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 Sub Plan (SCSP &TSP) development respectively. Programmes under SCSP &TSP include subsidies for scholarships, construction of roads in SC/ST hamlets, *etc*.

Government allocated ₹14,375.12 crore[25] and ₹8,165.88 crore[26] to SCSP and TSP respectively in 2017-18. However, **46 *per cent*[27] of the allocated funds were not utilised under SCSP and TSP.** This issue was reported in Audit earlier also as the utilisation was only 60 and 57 *per cent* respectively in 2016-17.

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[25] ₹12,483.67 crore towards all departments and ₹1,891.45 crore towards non-divisible infrastructure works

[26] ₹7,355.26 crore towards all departments and ₹810.62 crore towards non-divisible infrastructure works

[27] SCSP: Budget (O+S):₹12,894 crore, Expenditure: ₹7,007 crore (54 *per cent*) and Savings: ₹5,887 crore (46 *per cent*); TSP: Budget (O+S): ₹7,979 crore, Expenditure: ₹4,295 crore (54 *per cent*) and Savings: ₹3,684 crore (46 *per cent*)

2.5 Major Policy initiatives

Government introduced several Major Policy Initiatives / flagship schemes reflecting its Socio – Economic priorities. Ten of the Major Policy Initiatives schemes prioritised in 2017-18 budget were scrutinised in audit on a test-check basis to verify the achievement of financial and physical targets.

Audit found that four out of ten schemes reported commendable achievements. These included KCR Kit programme (targeted for health of pregnant and lactating mothers) in which the number registered was more than the target fixed. The achievement against target beneficiaries for Shaadi Mubarak Scheme was 94 *per cent*. The achievement against targets in respect of Kalyana Lakshmi Programme for SC and ST girls was 91 and 93 *per cent* respectively. The achievement against targets in respect of BC and EBC girls under Kalyana Lakshmi was, however, only 62 *per cent*. Both Shaadi Mubarak and Kalyana Lakshmi schemes provide financial assistance to families for arranging marriage of daughters.

Shortfalls were, however, noticed in the other schemes as detailed below:

- The Budget provision for "Two bed room houses to urban poor and others" programme was ₹1,000 crore. The Government, however, transferred (October 2017) only ₹75 crore to the Telangana State Housing Corporation Limited (TSHCL). Thus, the flagship programme of the Government suffered.
- Only 23 *per cent* (792 acres out of 3,500 acres) of the targeted agricultural land was assigned to Schedule Caste farmers as ₹798.52 crore (60 *per cent)* out of the budget allocated (₹1,334.89 crore) was not spent. This was attributed to non-availability of agriculture land in districts and reluctance among landlords to sell the land at the rates offered.
- Most Backward Classes Development Corporation established to improve social, educational and financial conditions of most backward classes amongst the BCs could not take off due to non-approval of action plan by Government despite allocation of ₹1,000 crore. An amount of ₹995.94 crore was finally withdrawn through re-appropriation on the last day of the financial year. The State Government stated (January 2019) that expenditure could not be incurred due to lack of definition of the term "Most Backward".

Further audit findings on Major Policy Initiatives are in ***Appendix 2.5***.

2.6 Deficiencies in budgeting

Audit found several deficiencies in budget allocations amounting to ₹11,572.80 crore (details are in ***Appendix 2.6***). Case studies below illustrate some of these mistakes.

Box 2.3: Deficiencies in budgeting

Case Study 1 : Between Charged and Voted sections

As per General Accounting Rules, Interest payments shall be under charged section. Budget Provision of ₹719.28 crore towards "Interest on UDAY loans" (2049-01-200-41) was, however, made under Voted section. The payment of interest (₹708.23 crore) was made from the Charged Section without budget provision.

Case Study 2: Between Capital and Revenue Sections

(i) Kaleshwaram Project and Palamuru Ranga Reddy Lift Irrigation Scheme are under execution, and hence the requirement of funds was under 'Capital'. Funds were, however, allotted under 'Revenue'. No expenditure was actually incurred under 'Revenue' leading to Savings under this section. On the other hand, paltry funds were allocated under 'Capital' despite having huge requirement and excess expenditure was incurred as shown in **Table 2.6**.

Table 2.6: Provision and Expenditure in Irrigation

(₹ in crore)

Project	Project Cost	Revenue		Capital	
		Provision	Actual Expenditure	Provision	Actual Expenditure
Kaleshwaram Project	80,190	6,256.57	0.00	480.30	4,419.07
Palamuru Ranga Reddy Lift Irrigation Scheme	35,200	3,067.73	0.00	961.26	1,976.26

Source: Appropriation Accounts

The above deficiencies were not rectified even at the time of obtaining approval for supplementary grants from the Legislatures.

(ii) Swachh Bharath Mission was being executed through local bodies for which Grants-in-Aid were to be provided under Revenue. However, ₹697.41 crore was provided under Capital (other charges) instead of Revenue (Grants-in-Aid). The expenditure of ₹483.46 crore was initially booked under Capital section, which was later corrected by a transfer entry and expenditure was finally booked under Revenue section (Grants-in-Aid) appropriately. Thus, by making incorrect provision under Capital instead of under Revenue in Budget Estimates and incurring expenditure under Revenue resulted in Savings under the Capital and Excess expenditure under Revenue.

(iii) An amount of ₹130 crore was provided under Capital section in respect of 'Afforestation Fund' for minor works, which fall under Revenue Section. The expenditure of ₹213.23 crore was initially booked under Capital section, which was later corrected by a transfer entry and expenditure was finally booked under Revenue section (Grants-in-Aid) appropriately. Thus, by making incorrect provision under Capital instead of under Revenue in Budget Estimates and incurring expenditure under Revenue resulted in Savings under the Capital and Excess expenditure under Revenue.

The State Government accepted (January 2019) that there were budgeting errors.

2.6.1 Opening new Sub-Heads without concurrence of Principal 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 Principal Accountant General, Accounts and Entitlements (PAG (A&E)), Telangana before opening any new head.

The Government, however, opened 223 new Sub-Heads in 2017-18 without prior concurrence of the PAG (A&E). Total provision made under these Sub-Heads was ₹12,910 crore. Against this provision, an expenditure of ₹13,569 crore was incurred under 30 Grants, disregarding the statutory provision.

Such opening of new Sub-Head without concurrence was persistent as ₹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 PAG (A&E) was increasing.

No reply was furnished by the Government for not obtaining concurrence from the PAG (A&E).

A reliable financial reporting mechanism aids 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 two ways:

- Under statutory provisions of the Government or created under any law or rule having the force of law by transferring funds from the Consolidated Fund of the State for discharging liabilities of the Government arising out of special enactments.
- Personal Deposit 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.

Ordinarily, Government sanctions the opening of a banking deposit or of PD Account after consultation with the Principal Accountant General (A&E). 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.

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.

As per Article 271 (iii) (4)[1] of the Telangana Financial Code, Personal Deposit Accounts shall be closed at the end of the financial year by minus debit of the balance to the relevant service head in the Consolidated Fund of the State[2]. The account may be opened again in the following year, if necessary, in the usual manner[3].

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

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

[3] 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

(i) The Government Orders (April 2000), however, stipulated that the funds released during a particular financial year shall lapse by 31 March of the next financial year. **This was at variance with the provisions of the Telangana Financial Code, which stipulated that Personal Deposit Accounts, created by transferring funds by debit to the Consolidated Fund should be closed at the end of the financial year.**

Government stated (March 2019) that these orders of April 2000 were issued in view of the fact that the release of funds sometimes happen at the end of the financial year and hence the executing agencies could not spend funds before close of the financial year.

As per the data furnished by the DTA, it was noted that an amount of ₹824.81 crore, in the PD accounts with 145 PD Administrators, which was due to lapse by end of next financial year was yet to be lapsed as of March 2018. DTA replied that most of these amounts pertain to Chief Planning Officers (CPO) and DDOs of Colleges *etc*. The accounts of CPO contain Constituency Development Fund, MPLADS *etc*., where transactions will happen based on the stipulation in the respective scheme. It was evident that **the Government Orders of April 2000 were also not being complied with.**

(ii)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 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. Such a practice also entails the risk of misuse of public funds, fraud and misappropriation. **An amount of ₹22,875 crore was transferred from Consolidated Fund to the Deposit Accounts in 2017-18, of which ₹3,655 crore was in the month of March 2018. It was noted in audit that an amount of ₹2,300 crore transferred as loans to the PD accounts of two institutions in March 2018 were not expended as of February 2019** (refer to ***Box 3.1 of Paragraph 3.1.3*** for further details).

(iii) Government also issued Orders[4] in 2005 regarding mechanism of opening of PD accounts. These orders specified that PD accounts are to be opened in the name of Designated Drawing Officers (known as PD Administrators) based on the request forwarded through Administrative Department. On receipt of Government Orders for opening of a PD account, the Director of Treasuries and Accounts (DTA) authorises the District Treasury Officer (Urban), Hyderabad, to assign a PD account number to the PD Administrator and notify the Principal Accountant General (Accounts &Entitlements). **As such, prior concurrence of PAG (A&E) was not being sought. The Government stated (March 2019) that above orders were issued to avoid delay in getting permission.**

(iv) Government orders of June 2005 stipulated certain conditions in case of Personal Deposit account proposed in favour of an Officer of the State Government, so as to

[4] G.O.Ms.No.140 of Finance (BG) Department, dated 2June 2005,

exclude the possibility of budgetary resources getting diverted to Personal Deposit Account. It was noted that **a sum of ₹1,915 crore, transferred from the Consolidated Fund during 2017-18, was held by eight[5] Departmental officers, each PD Account holding a balance of more than ₹100 crore as of March 2018.**

3.1.2 Status of PD accounts in Telangana

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	28,087	9,438.71
2	New PD accounts opened during the year	1,143	4,729.70
3	PD accounts closed during the year	556	--
4	PD accounts existing at the end of the year	28,674	15,837.67

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

The above information was at variance with the Finance Accounts, which shows 27,722 PD accounts with a closing balance of ₹12,093.83 crore. A total of 10,122 PD Administrators were operating these accounts.

The Government, based on the recommendations of the Cabinet sub-committee, issued orders[6] (April 2000) classifying all the Deposit Accounts into three categories as shown in ***Table 3.2***:

Table 3.2: Categories of Deposit Accounts

Category A	Category B	Category C
Non-lapsable Deposit Accounts	Lapsable Deposits as per Codal Provisions such as Security Deposits, Civil Deposits, Court Deposits	Lapsable Deposits as per Government Orders before completion of subsequent financial year such as those pertaining to Government Schemes / Activities
Receipts: (i) Own sources like taxes, operational receipts and (ii) devolution / transfers from the State Government	Receipts - Securities collected for specific purposes, *etc.*	Receipts - Transfers from Consolidated Fund of the State

Source: Government order of April 2000 on Deposit accounts

The Category wise PD accounts and the closing balance to the end of March 2018 are detailed in **Table 3.3.**

[5] (i) Director of Municipal Administration: ₹100.06 crore; (ii) Commissioner of Industries: ₹284.68 crore, (iii) Chief Planning Officer, Warangal (Urban): ₹255.07 crore; (iv) Chief Planning Officer, Siddipet: ₹498.09 crore, (v) Chief Planning Officer, Sangareddy: ₹193.08 crore; (vi) Secretary to Government, CM relief Fund: ₹312.13 crore; (vii) Chief Planning Officer, Warangal (Rural): ₹107.26 crore; (viii) District Treasury Office, Ranga Reddy district: ₹164.97 crore

[6] G.O. Ms. No.43 of Finance and Planning Department, dated 22 April 2000

Table 3.3: Category wise details

Sl. No.	Description	No. of Accounts	Closing balance (₹ in crore)
1	Category A	27,831	6,030.08
2	Category B	187	733.93
3	Category C	656	9,073.66
Total		**28,674**	**15,837.67**

Source: Information Furnished by DTA

As can be seen, majority of the amount as of March 2018 was in Category 'C'.

3.1.3 Operation of PD accounts

The following were observed in operation of PD accounts.

(i) The Receipts under PD accounts are either credited into PD accounts by debit to Consolidated Fund or remitted from other sources. Expenditure is incurred from out of the available balances under PD accounts. As such there should not be any adverse balance in PD accounts. There were, however, 89 PD accounts with *adverse balances (i.e.,* those with minus balances) as shown in **Table 3.4**. DTA stated (January 2019) that the adverse balances were due to posting errors and were being rectified.

Table 3.4: Adverse balances in PD accounts

Sl. No	Description	Number of Accounts	Amount involved (₹ in crore)
1	Opening Balance	47	(-) 1.69
2	Closing Balance	35	(-) 84.38
3	Receipts	5	(-) 10.46
4	Expenditure	2	(-) 0.07

Source: Information furnished by DTA

(ii) As per Article 271 of Telangana Financial Code, PD accounts not operated for a considerable period and where there is reason to believe that the need for the account has ceased, the same should be closed. There were 701 non-operational PD accounts[7] with 'Nil' balances in 2017-18. The DTA stated (November 2018) that the PD administrators opened multiple accounts due to bifurcation of districts, which were identified and kept under inactive mode.

As noted above, opening of PD Accounts was based on an Order from the Government, however, opening of multiple accounts by PD administrators indicates lack of monitoring and control and conveys that PD accounts are being opened as a matter of routine.

7 Category A: 404, Category B: 80, and Category C: 188. Information of category was not available in respect of others

Further, there were no transactions in 949 PD accounts with a closing balance of ₹14.23 crore in 2017-18. As a result, ₹14.23 crore remained unutilised throughout the year. Further, as per information furnished by Director of Treasuries and Accounts, 1,170 PD Accounts with an outstanding balance of ₹315.43 crore were inoperative for more than three years as on 31 March 2018. Review of these accounts for appropriate action was not available on record.

(iii) Out of the total expenditure of ₹14,899.98 crore for the month of March 2018 an amount of ₹3,655.01 crore (24.53 *per cent)* was transferred from Consolidated Fund to the PD accounts. An amount of ₹3,194 crore out of this was transferred into category 'C' PD accounts. **This indicates that amounts are being transferred to PD accounts to avoid lapse of funds.** The DTA replied (October 2018) that expenditure was being incurred in 2018-19, which is a further confirmation of the fact that the amounts, though shown as expenditure in 2017-18 from out of the Consolidated Fund, were actually lying in the PD accounts.

Box 3.1 : Unspent balances in PD accounts

Case Study 1:*Chief Planning Officer (CPO), Mahaboobnagar - Category C*

The PD account had an opening balance of ₹36.34 crore. The account was credited (April 2017 to March 2018) with an additional ₹85.33 crore[8] from the Consolidated Fund during the year. An amount of ₹85.07 crore, however, remained unspent at the end of the year as the expenditure incurred during the year was only ₹36.60 crore.

Case Study 2: *Managing Directors of Telangana State Schedule Castes Cooperative Development Corporation (SCCDCL) and Telangana Scheduled Tribes Cooperative Finance Corporation (TRICOR)- Category C*

The two Corporations receive money from the Consolidated Fund and utilise it for payment of various subsidies. The two Corporations received ₹2,147 crore and ₹1,421 crore respectively in 2017-18. The two PD Administrators were able to disburse only ₹353 crore (16 *per cent*) and ₹204 crore (14 *per cent*) respectively and the closing balance in the two PD accounts in 2017-18 was ₹1,794 crore and ₹1,217 crore respectively as major amounts of ₹1,500 crore and ₹800 crore respectively were released in March 2018 making it amply clear that the Government had transferred the funds at the fag end of the year to avoid lapse of funds. Both the PD Administrators informed (March 2019) that the amount of ₹1,500 crore and ₹800 crore were still in the PD Accounts.

Such irregular transfers and balances inflate the figures of expenditure in the Consolidated Fund as also the liability of the Government.

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[8] (i) Special Development Fund for welfare and Development Activities (₹48.64 crore), (ii) Constituent Development Programme (₹30.47 crore), (iii) Crucial Balancing Fund (₹4.70 crore) and (iv) Land Records Up gradation Programme (₹1.50 crore)

3.1.3.1 Non-obtaining of Certificates of Acceptance of Balance

As per Article 126 of Account Code (Volume II) and Government Orders, the administrators operating Personal Deposit Accounts in the Treasury are required to verify quarterly balances in the deposit accounts and furnish a Certificate of Acceptance of balance to the Treasury after reconciling the differences, if any.

Inspection of Treasury offices by Principal Accountant General (A&E) revealed that in respect of six DTOs and twelve STOs, receipt of 1,281 Certificate of Acceptance of balance were pending from various PD Administrators to the end of December 2017. There is a risk of over payment if balances are not reconciled timely.

3.1.4 Lapsing of unutilised amounts under Category 'B'

As per the provisions contained in Article 271(iii) of Telangana Financial Code Volume I, all Deposits which fall under category 'B' if unclaimed for more than three complete financial years should be lapsed and credited to Government Account. Inspection of Treasury offices by Principal Accountant General (A&E) revealed that in respect of twelve DTOs and seventeen STOs, deposits amounting to ₹52.91 crore under revenue and other deposits heads falling under Category "B", which had remained unclaimed for more than three financial years were not lapsed to Government account.

3.1.5 PD accounts pertaining to Local Bodies

As per para 16.1 of Treasuries and Accounts Functionary Manual, funds of Local Bodies are deposited under "Deposit of Local Funds" in Public Account. Departmental officers of the Government, however, were also operating heads of accounts meant for Local Funds. For instance, Chief Planning Officer (CPO), Adilabad, who was a Government Officer, also operated 'Deposit for Local Fund' Account (*i.e.,* Major Head: 8338 - Deposits bearing interest) meant for local bodies. Similarly, Deposits of Local Funds – not bearing interest (Major Head: 8448) was also operated by others[9].

Opening PD Accounts as a matter of routine with weak accounting controls, transferring funds to PD Accounts to avoid lapse and keeping large balances in the PD accounts without lapsing within the stipulated period entails dilution of legislative controls, inflation of expenditure figures and overstating of the liabilities of the Government and enhances the risk of misuse and misappropriation of funds.

Recommendation 12: Government may put in place a mechanism to review Category 'C' PD accounts and lapse the unspent balances by the Treasury Officers concerned as stipulated in the Government Orders. Transferring money to PD accounts from the Consolidated Fund of the State at the fag end to avoid lapse of funds should be avoided.

[9] Besides departmental officers, Public Sector Undertakings like Hyderabad Growth Corridor Limited; and Autonomous Bodies like District Rural Development Agency, District Water Management Agency, Drought Prone Area Programme *etc*., were also operating these PD accounts

3.2 Opaqueness in accounts

Minor Head - 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, as it renders the accounts opaque. Transactions under this Minor Head during the years 2017-18 and 2016-17 are detailed in **Table 3.5**:

Table 3.5: 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*)
2016-17	82,818	45	3,287 (4)	1,14,803	45	14,156 (12)
2017-18	88,824	47	3,555 (4)	1,09,267	45	13,214 (12)

Source: Finance Accounts

Further, it was observed that the entire receipts (₹433.69 crore) under 12 Major Heads were booked under Minor Head-800 (Other Receipts). Similarly, more than 50 *per cent* of the total expenditure under nine Major Heads was booked under Minor Head – 800 (Other Expenditure).

Instances where a substantial proportion (10 *per cent* or more of the receipts / expenditure under the major head concerned) of the receipts / expenditure are classified under Minor Head 800 – Other Receipts / Expenditure are in **Annexure B and C** of **Notes to Accounts (Finance Accounts – Volume I).** Though the issue has been continuously reported in the previous reports of the Comptroller and Auditor General of India, there has been little improvement. **The fact that such substantial proportion of the receipts / expenditure under the concerned Major Head are booked under Minor Head 800 is a cause for concern, since it severely impacts transparency.**

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 2017-18 and deficiencies therein are detailed in **Table 3.6**:

[10] Revenue Receipts
[11] Includes both Revenue and Capital

Table 3.6: Compliance to Accounting Standards

Sl. No.	Accounting Standard	Compliance by State Government	Deficiencies noticed in compliance
1	**IGAS 1**: *Guarantees Given by the Government – Disclosure requirements*	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. (***Refer to paragraph 1.7.2*** for further audit findings on Guarantees)
2	**IGAS 2**: *Accounting and Classification of Grants-in- Aid*	Not complied (Statement 10 of Finance Accounts)	(i) Certain Grants-in-Aid classified under Capital Section (***Refer to Table 1.4 of paragraph 1.3.1*** for further audit findings on impact of classifying Grants in Aid under Capital Section) (ii) No information was available in respect of Grants-in-Aid given in kind by the State Government.
3	**IGAS 3**: *Loans and Advances made by Governments*	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. (***Refer to paragraph 1.6.4*** for further audit findings on Loans and Advances)

Source: Indian Government Accounting Standards and Finance Accounts

3.4 Non-submission of Annual Accounts by Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Sections 19 or 20 of "Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971" (CAG's DPC Act).

The ABs coming under the audit purview as per Section 19 or 20 of CAG's DPC Act are required to submit the annual accounts to audit before 30 June every year. In respect of 22 ABs which were to render annual accounts to C&AG, there were delays in submission of accounts ranging from one to 10 years and above (**Table 3.7**).

Table 3.7: 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	8
2	2-3	8
3	4-5	1
4	6-7	0
5	8-9	4
6	10 and above	1
Total		**22**

Paragraphs 1.7.4 and 1.8.4 of this Report highlight the need for State Government to ensure that Autonomous Bodies like Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) and Hyderabad Metropolitan Development Authority (HMDA), which receive loans or guarantees from the Government, prepare and submit their annual accounts timely.

3.5 Non-submission of Utilisation Certificates

The Government gives grants to various bodies for specific purposes. The financial rules stipulate that where Grants-in-Aid are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which after verification, should be forwarded to the Principal Accountant General (A&E), to ensure that the funds have been utilised for intended purposes. Non-submission/delay in submission of the Utilisation Certificates (UCs) weakens the control on utilization and provides scope for mis-utilisation / misappropriation / diversion of funds.

During the year 2017-18, Government released ₹26,499.06 crore[12] as Grants-in-Aid, for which UCs were received in respect of 96 *per cent* of the grants. 16 UCs[13] involving an amount of ₹1,264.61 crore pertaining to 2017-18 were yet to be received (August 2018). In respect of two schemes, UCs pertaining to earlier years were awaited from 2014-15 as shown in **Table 3.8.**

Table 3.8: Schemes for which UCs pertaining to earlier period not received

(₹ in crore)

S. No	Scheme	Grants-in –aid received	UCs submitted	Balance
1	Mission for integrated development of Horticulture			
	2014-15	52.93	36.40	16.53
	2015-16	58.75	47.60	11.15
	2016-17	25.00	36.20*	(-) 11.20
	Total			**16.48**
2	National Mission on Oil Seeds and Oil Palm			
	2014-15	261.33	149.13	112.20
	2015-16	260.60	71.35	189.25
	Total			**301.45**

Source: Information furnished by Commissioner of Horticulture

** UCs for higher amounts inclusive of earlier years, breakup of which is not provided*

Box 3.2: Case Study – Submission of UC without actual utilisation

Government created (27 March 2015) a trust *viz*., "The Telangana State Advocates Welfare Trust (TSAWT)" for promotion of welfare of advocates practicing in the State. Advocate General of State Government acts as Chairman of the Trust. Secretaries of Finance and Law Departments are its trustees.

The Government sanctioned and released (27 March 2015) ₹100 crore as Grants-in-Aid to the Telangana Advocates Welfare Fund. The fund, however, was not utilised due to non-finalisation of guidelines (December 2017) and was lying in a fixed

[12] Out of this, ₹23,552.52 crore was released under the "Other detailed Head 312- other Grants-in-Aid" and ₹77.93 crore under other detailed head 319 – creation of capital assets.

[13] Except where the sanction order specified otherwise, UCs in respect of Grants-in-Aid drawn during 2017-18 become due only in 2018-19

deposit in Andhra Bank. The interest of ₹10 crore earned on the fund was deposited (May 2017) in another fixed deposit in the same bank for one year.

Although the funds remained unspent, UC was furnished to the effect that the amount would be utilised.

3.6 Non-submission of Detailed Contingent bills

Financial Rules[14] permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules[15] and Government orders[16] 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. 2,164 AC bills amounting to ₹280.45 crore, however, remain un-adjusted due to non-submission of DC bills as shown in **Table 3.9**.

Table 3.9: Year-wise details of AC bills pending adjustment

Year	As of March 2017		As of March 2018	
	No. of AC Bills	Amount (₹ in crore)	No. of AC Bills	Amount (₹ in crore)
Up to 2014	1,463	242.72	641	81.64
2014-15	531	107.32	349	99.00
2015-16	688	51.52	393	39.38
2016-17	803	73.27	447	42.40
2017-18	--	--	334	18.03
Total	**3,485**	**474.83**	**2,164**	**280.45**

Source: Principal Accountant General (A&E), Telangana

Though the number of AC bills awaiting adjustment as of March 2018 decreased in comparison to previous year, 641 AC bills amounting to ₹81.64 crore pertaining to the period prior to bifurcation of the State was still pending. This includes 89 bills amounting to ₹5.72 crore pending for more than a decade.

Further, only six Departments account for 1,798 AC bills amounting to ₹244.39 crore, in which DC bills for more than ₹10 crore are awaited as of March 2018 (**Table 3.10*)***.

[14] Article 99 of Telangana Financial code
[15] SR18 below TR 16
[16] GO No.391, dt.22-03-2002 and 507, dt.10-04-2002

Table 3.10: Departments in which major amounts were pending adjustment

Sl. No.	Department/Office/Institute	AC Bills	Amount (₹ in crore)
1	Revenue Department	999	102.34
2	Agriculture & Co-operation, Consumer Affairs, Food and Civil Supplies	89	47.33
3	Youth Advancement Tourism & Culture Department	89	31.99
4	Home	341	29.22
5	Municipal Administration and Urban Development	46	21.58
6	Education	234	11.93
	Total	**1,798**	**244.39**

Source: Principal Accountant General (A&E), Telangana

*includes DC bills pertaining to the period prior to bifurcation dealt by PAO, Hyderabad, Telangana

Non-submission of DC bills within the prescribed time is a breach of financial discipline and enhances risk of misappropriation of public money and is an unhealthy practice.

3.7 Un-reconciled Receipts and Expenditure

Government Orders[17] and Financial Rules[18] stipulate that expenditure recorded in the records of Chief Controlling Officers (CCOs) of Departments is to be reconciled with the books of the Principal Accountant General (Accounts & 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 ₹41,816.30 crore of receipts, *i.e.,* 47 *per cent* of Revenue Receipts (₹88,824 crore) remained un-reconciled in 2017-18. Similarly, expenditure of ₹37,961 crore *i.e.*, 35 *per cent* of total expenditure[19] remained un-reconciled. Non-reconciliation impacts the assurance that all the receipts/expenditures have been taken to the final head of account properly.

- There were four CCOs who did not reconcile receipts of ₹3,000 crore or more. The total of such un-reconciled receipts by the four CCOs was ₹40,481.85 crore **(Table 3.11)**.

[17] GO Ms .No. 507 of Finance(TFR)Department dated 10 April 2002
[18] Article 9 of State Financial Code
[19] Total expenditure (₹ 1,09,267 crore) includes Revenue and Capital excludes Loans and Advances, interest payments and loans to Government servants

Table 3.11: CCOs with highest un-reconciled receipts

Sl. No.	Name of the CCO	Amount (₹ in crore)
1	Commissioner of Commercial taxes	23,636.54
2	Commissioner, Prohibition & Excise	9,421.33
3	Commissioner and Inspector General of Stamps & Registration	4,199.58
4	Commissioner of Industries	3,224.40
Total		**40,481.85**

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

- Similarly four CCOs did not reconcile expenditure of more than ₹3,000 crore **(Table 3.12)**.

Table 3.12: CCOs with highest un-reconciled expenditure

Sl. No.	Name of the CCO	Amount (₹ in crore)
1	Secretary, Energy Department	4,662.66
2	School Education HOD, Director of School education	4,539.83
3	Chief Engineer, Kaleshwaram Project	4,519.07
4	Commissioner, Social Welfare, D.S. Samkshema Bhavan	3,942.93
Total		**17,664.49**

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

3.8 Adverse balances under Debt, Deposit and Remittance Heads

Transactions relating to Debt, Deposit and Advances comprise receipts and payments in respect of which Government becomes liable to repay the moneys received or has a claim to recover amounts paid.

Chart 3.1: Debt, Deposits and Remittances

Debt	Deposits	Remittances
•Government is a Debtor •Transactions impact current year as well as future years when Government has to repay the debts	•Government acts as temporary custodian of funds •Transactions impact current year as well as future years when deposits are due for repayment or are withdrawn by Depositor	•Embraces all transactions, which are taken to merely adjusting Heads of Accounts •Debits or Credits are eventually cleared by corresponding contra entries

Source: Comptroller and Auditor General of India's Manual of Standing Orders (Accounts and Entitlements)

A review of Debt, Deposit and Remittance heads showed adverse balances amounting to (-)₹319.01 crore under Internal Debt[20] of the State Government to the end of March 2018 as shown in **Table 3.13**.

Table 3.13: Adverse Balances under Internal Debt

Sl. No.	Item	Head of Account	Amount (₹ in crore)
Internal Debt of the State Government (Major Head 6003) – Loans from other institutions (Minor Head 109)			
1	Loans from Power Finance Corporation	6003-109-13	(-) 148.90
2	Loans from Telangana Transco Bonds	6003-109-12	(-) 148.68
3	Loans from Rural Electrification Corporation Limited (REC) for villages, hamlets and Dalit Basties	6003-109-22	(-) 15.36
4	Loans from State Water and Sanitary Mission	6003-109-18	(-) 6.07
Total			**(-) 319.01**
Impact: Adverse balances under loan heads indicate that either repayment was more than the loans availed or debt taken by the Government was not accounted but repayments made by Government were accounted for. Presence of adverse balances under Internal Debt understates the liabilities of the Government.			

Source: Finance Accounts

In addition, there were adverse balances in other heads as detailed below:

- There were adverse balances aggregating to ₹864.56 crore under Deposit Heads[21] as shown in **Table 3.14**.

Table 3.14: Adverse Balances under Deposits

Sl. No.	Item	Head of Account	Amount (₹ in crore)
Deposits bearing interest			
1	Other Deposits	8342	(-) 89.22
Deposits not bearing interest			
2	Civil Deposits	8443	(-) 94.71
3	Deposit of Local Funds	8448	(-) 171.12
4	Other Deposits	8449	(-) 509.51
Total			**(-) 864.56**
Negative balance indicates that the expenditure is more than the amount deposited.			

Source: Finance Accounts

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[20] Article 293 of the Constitution of India empowers the State Government to borrow funds within the territory of India, upon the security of the Consolidated Fund of the State within such limits as may vary from time to time, to be fixed by an Act of the State Legislature

[21] Government receives deposits for various purposes by or on behalf of various public bodies and members of the public. Government sometimes decides to set aside sums from the revenues of a year or a series of years, to be accumulated in a fund. The balance at the credit of such a fund is held as a deposit and expended on specified objects

- Further, there were adverse balances under Loans and Advances aggregating ₹205.33 crore to the end of March 2018.

3.9 Functioning of Treasuries / Pay and Accounts Offices

The following deficiencies / irregularities were noticed during 2017-18 with regard to functioning of Treasuries (including PAO, Hyderabad in respect of receipt of vouchers).

Table 3.15: Deficiencies noticed in functioning of treasuries

Sl. No.	Rule / Orders / Instructions of Government	Observation	No. of cases	Amount (₹ in crore)
1	As per Subsidiary Rule 18(e) under Treasury Rule 18 of Treasury Code, all payments are to be supported by vouchers / cheques containing full details of the corresponding transaction.	Vouchers not received from Treasuries	2,845	284.81
2		Vouchers not received from PAO, Hyderabad	2,832	639.60
3	As per Government Memo No.351/81/DCM-II/2012 (Finance Department), dated 04 August 2012, cheques for drawal of funds exceeding ₹10 lakh each from Personal Deposit Accounts should be countersigned by the Secretary to Government in Finance Department.	Drawal of cheques exceeding ₹10 lakh without counter-signature of Finance Secretary	299	2,074.47
4	As per Subsidiary Rule 2 to Treasury Rule 16 of Treasury Code, Fully Vouched Contingent Bill Form 58 is used for payment of services already availed or goods received.	Drawal of funds on Form 58 fully vouched contingent bills without enclosing vouchers	87	1,023.00

Source: Information furnished by Principal Accountant General (A&E) and Resident Audit Officer, Abids

3.10 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 (EN) for Audit Report on State Finances for the year 2016-17. Finance Department, however, did not furnish EN for Audit Reports on State Finances for the years 2015-16 and 2014-15 as of January 2019.

(REBECCA MATHAI)
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Hyderabad
The

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The

Appendices

Appendix 1.1

Profile of Telangana

(Refer introductory para in chapter-1, page 1)

With a geographical area of 1.12 lakh sq. km. and a population of 3.50 crore (2011 Census), it stood at 12th position among all States in terms of both area and size of population. Nearly 61 *per cent* of its population resides in rural areas. The capital city of Hyderabad accounts for over 70 *per cent* of the State's total urban population. Telangana, formed with 10 districts, was reorganized into 31 districts in October 2016.

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) (All India Average=21.90 *per cent*)		-
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*)	67 *per cent*
6	Infant mortality per 1000 live births) (All India Average = 34 per 1,000 live births)		28
7	Life Expectancy at birth ((All India Average = 68.3 years)		Male – 69.4 Female – 73.2
8	**A. Gini Coefficient**		
	i)	Rural (All India = 0.29)	0.28#
	ii)	Urban (All India = 0.38)	0.38#
	B. HDI (All India = 0.467)		0.473#
9	Gross State Domestic Product (GSDP) 2017-18 at current price		₹7,52,230 crore
10	Per capita GSDP CAGR (2008-09 to 2017-18)	Telangana	14.5#
		General Category States	13.1
11	GSDP CAGR (2008-09 to 2017-18)	Telangana	15.5#
		General Category States	14.5
12	Population Growth (2008 to 2017-18)	Telangana	7.9
		General Category States	11.6
B	**Financial Data**		
2.	Particulars		

	CAGR**	**General Category States(2008-09 to 2016-17)**	**Telangana (2014-15 to 2017-18)**	**General Category States(2016-17 to 2017-18)**	**Telangana (2016-17 to 2017-18)**
		(in *per cent*)			
a.	of Revenue Receipts	15.1	14.86	11.3	3.56
b.	of Own Tax Revenue	14.9	17.86	12.2	8.05
c.	of Non -Tax Revenue	9.5	4.96	5.9	-10.56
d.	of Total Expenditure	15.8	23.11	4.7	3.42
e.	of Capital Expenditure	14.0	29.98	1.0	-15.37
f.	of Revenue Expenditure on Education	14.5	15.82	6.2	1.21
g.	of Revenue Expenditure on Health	16.2	17.78	10.7	1.92
h.	of Salary and Wages	13.4	17.18	8.9	2.49
i.	of Pension	16.2	29.75	22.9	15.07

* Census info India 2011 final population totals

\# Figures are for undivided Andhra Pradesh including Telangana

** Compound Annual Growth Rate

Appendix 1.2

Structure of Government Accounts and layout of Finance Accounts

(Refer introductory para in 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 etc.

Appendix 1.3

Abstract of Receipts and Disbursements in 2017-18

(Refer paragraphs 1.2 & 1.6.5; pages 1& 27)

(₹ in crore)

Receipts			Disbursements				
	BE	Actuals		BE	Actuals		
				Total	Non Plan	Plan	Total
Section-A: Revenue							
I. Revenue Receipts	**1,13,083**	**88,824**	**I. Revenue Expenditure**	**1,08,512**	**85,365**	**---**	**85,365**
Tax Revenue	62,619	56,520	**General Services**	**31,139**	**30,872**	**---**	**30,872**
			Social Services	**49,174**	**37,259**	**---**	**37,259**
Non-Tax Revenue	6,602	7,825	Education, Sports, Art and Culture	12,101	12,246	---	12,246
			Health and Family Welfare	5,920	4,768	---	4,768
State's share of Union Taxes	17,005	16,420	Water Supply, Sanitation, Housing and Urban Development	7,531	2,963	---	2,963
Non-Plan grants	15,895	---	Information and Broadcasting	343	324	---	324
Grants for State Plan Schemes	10,962	---	Welfare of SCs, STs, OBCs and Minorities	11,840	7,862	---	7,862
Grants for Central and Centrally sponsored Plan Schemes	---	6,108	Labour and Labour Welfare	419	175	---	175
Finance Commission Grants	---	1,168	Social Welfare and Nutrition	10,879	8,864	---	8,864
Other Transfers/Grants to States	---	783	Others	141	57	---	57
			Economic Services	**28,113**	**17,200**	**---**	**17,200**
			Agriculture and allied Activities	7,554	6,560	---	6,560
			Rural Development	2,593	3,790	---	3,790
			Irrigation and Flood Control	10,153	398	---	398
			Energy	4,694	4,391	---	4,391
			Industry and Minerals	995	826	---	826
			Transport	1,129	595	---	595
			Science, Technology and Environment	19	11	---	11
			General Economic Services	976	629	----\	629
			Grants-in-aid and Contributions	**46**	**33**	**---**	**33**
II. Revenue Deficit carried over to Section B	--		**II. Revenue Surplus carried over to Section B**	**4,571**	**3,459**		**3,459**
Section-B: Others							
III. Opening Cash balance including Permanent Advances and Cash Balance Investment	**468**	**4164**	**III. Opening Overdraft from RBI**	**---**	**---**	**---**	**---**
IV. Miscellaneous Capital Receipts	**---**	**---**	**IV. Capital Outlay**	**30,930**	**23,902**	**---**	**23,902**
			General Services	**1,737**	**565**	**---**	**565**
			Social Services	**5,970**	**2,851**	**---**	**2,851**
			Education, Sports, Art and Culture	323	248	---	248

Receipts			Disbursements				
			Health and Family Welfare	249	262	---	262
			Water Supply, Sanitation, Housing and Urban Development	3,484	1,873	---	1,873
			Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	1,856	408	---	408
			Social Welfare and Nutrition	51	40	---	40
			Others	7	20	---	20
			Economic Services	**23,223**	**20,486**	**---**	**20,486**
			Agriculture and allied Activities	476	514	---	514
			Rural Development Programme	4,312	859	---	859
			Irrigation and Flood Control	14,856	12,596	---	12,596
			Energy	---	2,721	---	2,721
			Industry and Minerals	206	75	---	75
			Transport	2,050	2,169	---	2,169
			General Economic Services	1,323	1,552	---	1,552
V. Recoveries of Loans and Advances	**5,807**	**138**	**V. Loans and Advances disbursed**	**5,545**	**6,209**	**---**	**6,209**
From Power Projects	401	49	For Power Projects	598	294	---	294
From Government Servants	36	70	To Government Servants	141	84	---	84
From others	5,370	19	To Others	4,806	5,831	---	5,831
VI. Revenue Surplus brought down	**4,571**	**3,459**	**VI. Revenue Deficit brought down**	**---**	**---**	**---**	**---**
VII. Public Debt receipts	**29,380**	**49,153**	**VII. Repayment of Public Debt**	**4,659**	**27,471**	**---**	**27,471**
Internal Debt other than Ways and Means Advances and Overdraft	28,380	25,595	Internal debt other than Ways and Means Advances and Overdraft	4,261	4,137	---	4,137
Net transactions of Ways and Means Advances including Overdraft	---	22,922	Net transactions of Ways and Means Advances including Overdraft	---	22,922	---	22,922
Loans and Advances from Central Government	1,000	636	Repayment of Loans and Advances to Central Government	398	412	---	412
VIII. Net of Inter-State Settlement	---	---	**VIII. Net of Inter-State Settlement**	---	**186**	---	**186**
IX. Appropriation to Contingency Fund	**---**	**---**	**IX. Appropriation to Contingency Fund**	**---**	**---**	**---**	**---**
X. Amount recouped to Contingency Fund	---	---	**X. Expenditure from Contingency Fund (remained un-recouped)**	**---**	**---**	**---**	**---**
XI. Public Account Receipts	**46,312**	**1,06,511**	**XI. Public Account disbursements**	**45,262**	**98,664**	**---**	**98,664**
Small Savings and Provident Funds	1,233	2,495	Small Savings and Provident Funds	2,057	1,519	---	1,519
Net Reserve Funds	2,079	831	Net Reserve Funds	1,533	553	---	553
Net Suspense and Miscellaneous		28,582	Net Suspense and Miscellaneous	---	29,155	---	29,155
Remittances		20,555	Remittances	---	19,249	---	19,249

Receipts			Disbursements				
Deposits and Advances	43,000	54,048	Deposits and Advances	41,672	48,188	---	48,188
XII. Closing Overdraft from Reserve Bank of India	**---**	**---**	**XII. Closing Cash Balance**	**142**	**6,993**	**---**	**6,993**
			Cash in Treasuries and Local Remittances	---	2.07	---	2.07
			Deposits with Reserve Bank and other Banks	---	76.03	---	76.03
			Departmental cash balance including permanent advances	---	0.30	---	0.30
			Cash balance investment and investment of earmarked funds	---	6,915	---	6,915
Total	**1,99,621**	**2,52,249**	**Total**	**1,99,621**	**2,52,249**		**2,52,249**

Appendix 1.4
Time Series Data on State Government Finances
(Refer paragraph 1.2, page 1)

(₹ in crore)

		2014-15 (2 June 2014 to 31 March 2015)	2015-16	2016-17	2017-18
Part A Receipts					
1	**Revenue Receipts**	**51,042(99.85)**	**76,134(99.88)**	**82,818(99.81)**	**88,824(99.84)**
	(i) Tax Revenue	29,288(57.38)	39,975(52.51)	48,408(58.44)	56,520(63.63)
	State Goods and Services Tax	---	---	---	13,073(23.13)
	Taxes on Sales, Trade, *etc.*	22,121(75.53)	29,847(74.66)	34,235(41.33)	25,107(44.42)
	State Excise	2,808(9.59)	3,809(9.53)	5,581(6.74)	9,421(16.67)
	Taxes on Vehicles	1,618(5.52)	2,309(5.78)	3,394(4.09)	3,590(6.35)
	Stamps and Registration fees	2,177(7.43)	3,102(7.76)	3,822(4.61)	4,202(7.43)
	Land Revenue	9(0.03)	104(0.26)	7(0.01)	4(0.01)
	Other Taxes	555(1.89)	804(2.01)	1,369(1.65)	1,123(1.99)
	(ii) Non-Tax Revenue	6,447(12.63)	14,414(18.93)	9,782(11.79)	7,825(8.81)
	(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)
	(iv) Grants-in-Aid from GOI	7,118(13.95)	9,394(12.34)	9,752(11.81)	8,059(9.07)
2	Misc. Capital Receipts	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)
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)**
5	**Public Debt Receipts**	**9,580(15.78)**	**17,498(18.67)**	**44,819(35.07)**	**49,153(35.59)**
	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)
	Net transactions under Ways and Means Advances and Overdraft	0(0)	112(0.64)	12,088(26.97)	22,922(46.63)
	Loans and Advances from Government of India	86(0.90)	921(5.26)	956(2.13)	636(1.30)
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)**
7	Contingency Fund receipts	50(0.02)	0(0)	0(0)	0(0)
8	Public Account receipts	2,22,579(78.56)	86,385(47.96)	1,09,094(46.05)	1,06,511(43.54)
9	**Total Receipts of Government (6+7+8)**	**2,83,328**	**1,80,105(0)**	**2,36,887**	**2,44,626**
Part B Expenditure/Disbursement					
10	**Revenue Expenditure**	**50,673(83.72)**	**75,896(79.82)**	**81,432**(68.87)	**85,365(73.81)**
	Plan	14,063(27.75)	21,240(27.99)	24,580(30.18)	0(0)
	Non-plan	36,610(72.25)	54,656(72.01)	56,852(69.82)	85,365(100)
	General Services (including interest payments)	14,164(27.95)	23,247(30.63)	25,125(30.85)	30,872(36.16)
	Social Services	18,753(37.01)	30,466(40.14)	35,286(43.33)	37,260(43.65)
	Economic Services	17,644(34.82)	22,043(29.04)	20,949(25.73)	17,200(20.15)
	Grant in aid and contributions	112(0.22)	140(0.18)	72(0.09)	33(0.04)
11	**Capital Expenditure**	**8,373(13.83)**	**13,590(14.29)**	**33,371(28.22)**	**23,902(20.66)**
	Plan	8,373(100)	13,590(100)	33,366(99.99)	0(0)
	Non-plan	0(0)	0(0)	5(0.01)	23,902(100)
	General Services	406(4.85)	274(2.02)	567(1.70)	565(2.36)
	Social Services	905(10.81)	2,152(15.84)	3,162(9.47)	2,851(11.93)
	Economic Services	7,062(84.34)	11,164(82.14)	29,642(88.83)	20,486(85.71)
12	Disbursement of Loans and Advances	1,483(2.45)	5,233(5.50)	3,402(2.88)	6,209(5.37)
13	Net of Inter-State Settlement	0	359	50(0.03)	186(0.16)
14	**Total (10+11+12+13)**	**60,529**	**95,078**	**1,18,255(88.37)**	**1,15,662(80.81)**

		2014-15 (2 June 2014 to 31 March 2015)	2015-16	2016-17	2017-18
15	**Repayment of Public Debt**	**1,727(2.77)**	**2,845(2.91)**	**15,568**(11.63)	**27,471(19.19)**
	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)
	Net transactions under Ways and Means Advances and Overdraft	0(0)	112(3.93)	12,088(77.65)	22,922(83.44)
	Loans and Advances from Government of India	0(0)	151(5.31)	763(4.90)	412(1.50)
16	**Appropriation to Contingency Fund**	**50(0.08)**	**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)**
18	Contingency Fund Disbursements	0(0)	0(0)	0.09(0)	0(0)
19	Public account disbursement	2,20,971(78)	80,909(45.24)	1,05,368(44.05)	98,664(40.80)
20	**Total disbursement by the state (17+18+19)**	**2,83,277**	**1,78,832**	**2,39,191**	**2,41,797**
Part C Deficits					
21	Revenue Deficit(-)/Surplus (+) (1-10)	369	238	1,386	3,459
22	Fiscal Deficit (-)/Surplus (+) (4-14)	-9,410	-18,856	-35,281	-26,700
23	Primary Deficit (-)/Surplus (+) (22-24)	-4,183	-11,298	-26,672	-15,864
Part D Other Data					
24	Interest Payments (included in Revenue Expenditure)	5,227	7,558	8,609	10,836
25	Financial Assistance to local bodies, *etc.*	20,963	29,058	30,648	30,080
26	Ways and Means Advances/Overdraft availed (days)	0	4	99	7
27	Interest on Ways and Means Advances/Overdraft	0	0.04	7	14
28	Gross State Domestic Product (GSDP)[#]	5,05,849	5,77,902	6,59,074	7,52,230
29	Outstanding liabilities (year-end) [@$]	79,880	97,992	1,34,738	1,65,849
30	Outstanding Guarantees (year-end) [%]	18,265	26,619	29,965	41,892
31	Maximum amount guaranteed (yearend)	21,240	28,094	31,871	41,892
32	Number of incomplete projects^	109	23	92	19
33	Capital blocked in incomplete projects^	33,001	24,224	50,216	70,758
Part E Fiscal Health Indicators					
I	**Resource Mobilization**				
	Own Tax Revenue/GSDP	0.058	0.069	0.073	0.075
	Non-Tax Revenue/GSDP	0.013	0.025	0.015	0.010
	Central transfers/GSDP	0.030	0.038	0.037	0.033
II	**Expenditure Management**				
	Total expenditure/GSDP	0.123	0.169	0.203	0.190
	Total Expenditure/Revenue Receipts	1.186	1.249	1.428	1.611
	Revenue Expenditure/ Total Expenditure	0.837	0.739	0.689	0.596
	Expenditure on Social Services/Total Expenditure	0.344	0.395	0.349	0.280
	Expenditure on Economic Services/Total Expenditure	0.413	0.354	0.432	0.263
	Capital Expenditure/Total Expenditure	0.138	0.143	0.282	0.167
	Capital Expenditure on Social and Economic Services/ Total Expenditure	0.132	0.141	0.277	0.163

		2014-15 (2 June 2014 to 31 March 2015)	2015-16	2016-17	2017-18
III	**Management of Fiscal Imbalances**				
	Revenue Deficit (surplus)/GSDP	0.0007	0.0004	0.0021	0.005
	Fiscal Deficit/ GSDP	(-)0.0186	(-)0.0326	(-)0.0535	(-)0.035
	Primary Deficit/ GSDP	(-)0.0083	(-)0.0195	(-)0.0405	(-)0.021
	Revenue Surplus/Fiscal Deficit	(-)0.039	(-)0.013	(-)0.039	(-)0.130
	Primary Revenue Balance/ GSDP	0.0112	0.0136	0.0154	0.0191
IV	**Management of Outstanding Liabilities**				
	Outstanding liabilities/ GSDP	0.158	0.170	0.204	0.221
	Outstanding liabilities/RR	1.564	1.287	1.627	1.867
	Primary deficit *vis-à-vis* quantum spread	NA	NA	NA	NA
	Debt Redemption: (Principal + Interest)/Total Debt Receipts	0.734	0.594	0.540	0.771
V	**Other Fiscal Health Indicators**				
	Return on Investment	35.08	5.21	0.54	0.62
	Balance from Current Revenue	-			
	Financial Assets/Liabilities	0.198	0.351	0.502	0.595

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

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

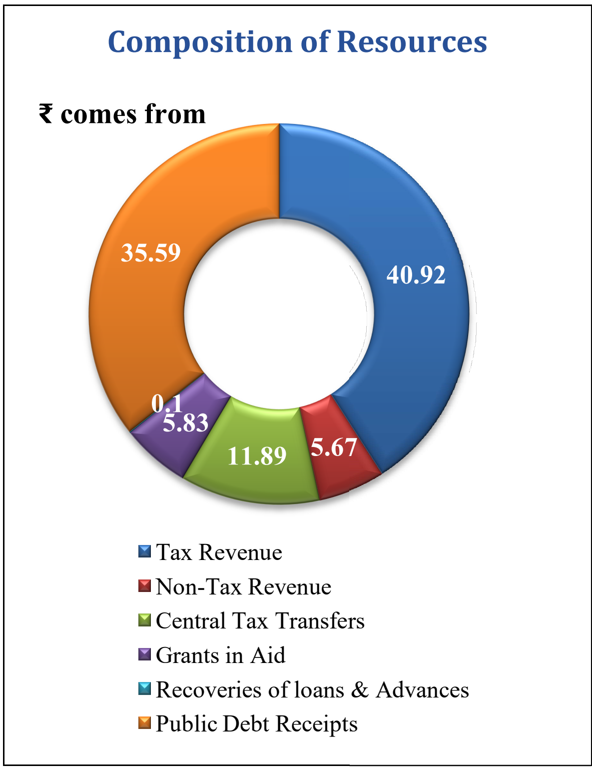
$ Excluding un-apportioned balances retained with successor state of Andhra Pradesh as per Telangana Reorganisation Act 2014

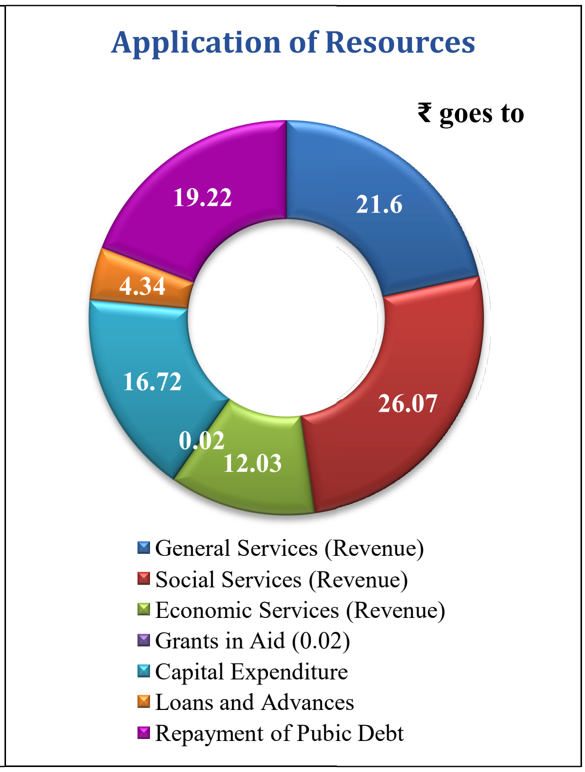
% as disclosed Budget documents

Appendix 1.5

Composition of sources and application of funds in the Consolidated Fund of the State

(Refer paragraphs 1.2; page 2)





Appendix 1.6

Summarized financial position of the Government of Telangana as on 31 March 2018

(Refer paragraphs 1.6; page 22)

(₹ in crore)

As on 31.03.2017	Liabilities		As on 31.03.2018
1,12,830	Internal Debt		**1,34,287**
89,708	Market Loans bearing interest	1,11,536	
0.24	Market Loans not bearing interest	0.20	
-	Market Loans Suspense	0	
99	Loans from LIC	85	
22	Loans from GIC	19	
3,192	Loans from NABARD	3,746	
9,336	Loans from other Institutions	9,227	
10,473	Special securities issued to NSSF	9,674	
-	Ways and Means Advances	-	
-	Overdraft from Reserve Bank of India	-	
8,406	Loans and Advances from Central Government		**8,631**
-	Pre 1984-85 Loans	-	
21	Non-Plan Loans	19	
8,384	Loans for State Plan Schemes	8,612	
-	Loans for Central Plan Schemes	-	
-	Loans for Centrally Sponsored Plan Schemes	-	
-	Other Ways and Means Advances	-	
50	Contingency Fund		49.91
6,594	Small Savings, Provident Funds, *etc*.		9,272
6,278	Deposits		12,138
4,909	Reserve Funds		6,158
1,390	Suspense and Miscellaneous Balances		871
-	Remittance Balances		16
1,40,457	**Total**		**1,71,423**
	Assets		
55,334	Gross Capital Outlay on Fixed Assets		**79,236**
13,075	Investments in shares of Companies, Corporations, Cooperatives, *etc*.	16,365	
42,259	Other Capital Outlay	62,871	
0.09	Contingency Fund (un-recouped)		0.09
9,797	Loans and Advances		**15,869**
293	Loans for Power Projects	538	
9,422	Other Development Loans	15,234	
82	Loans to Government servants and Miscellaneous loans	97	
(-)21	Advances		**(-)20**

As on 31.03.2017	Liabilities		As on 31.03.2018
1,288	Remittance Balances		**0**
0	Suspense and Miscellaneous Balances		**0**
4,164	Cash		**6,993**
2.07	Cash in Treasuries and Local Remittances	2.07	
-169	Deposits with Reserve Bank and other Banks	76.03	
0.29	Departmental Cash Balance	0.30	
53	Cash Balance Investments	2,277.42	
4,278	Investment of Earmarked funds	4,637.09	
69,895	Deficit on Government Account		**69,345**
1,40,457	**Total**		**1,71,423**

Explanatory Notes for Appendices 1.2 and 1.4

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis, the deficit on Government account, as shown in ***Appendix 1.4***, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, *etc*., do not figure in the accounts. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlements, *etc*.

Appendix 1.7

Summarised position of apportionment of balances between Andhra Pradesh and Telangana as on 31 March 2018

(Refer paragraph 1.9, page 36)

(₹ in crore)

Sl. No	Head of Account Name	Balance as on 01 June 2014	Balance allocated to Telangana	Balance allocated to Andhra Pradesh	Balance yet to be apportioned as on 31 March 2018
1.	Capital Heads	1,51,349.67	0.00	0.00	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	0.00	0.00	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	0.00	0.00	17,082.77
7.	Suspense and Miscellaneous	6,234.24	2,485.86	3,382.18	259.44
8.	Remittances	339.47	2.32	26.92	310.23

Appendix 2.1

Top five Grants with high Savings and Excess expenditure

(Refer paragraph 2.2.2; page 40)

	Grants with High Savings			Grants with Excess expenditure		
Grant No.	**Grant Name**	**Major Schemes affected**	**Savings (₹ in crore)**	**Grant No.**	**Grant Name**	**Excess (₹ in crore)**
XXXIII	Major and Medium Irrigation	Kaleshwaram Project, Palamuru Rangareddy Lift Irrigation Scheme	(-) 20,870.38	IX	Fiscal Administration, Planning, Surveys& Statistics	26,185.61
XXI	Social Welfare	Economic Support Scheme and LPS, Subsidy on Rice, Debt relief to farmers	(-) 4,527.51	X	Home Administration	330.45
XVII	Municipal Administration & Urban Development	Development works, Pradhan Mantri Awas Yojana	(-) 3,774.00	XXIX	Forest, Science, Technology and Environment	26.75
XXXI	Panchayati Raj	Mission Bhagiratha, Pradhan Mantri Gram Sadak Yojana	(-) 3,134.44	VI	Excise Administration	23.46
XXXII	Rural Development	Mahatma Gandhi National Rural Employment Guarantee Scheme	(-) 2,937.09	I	State Legislature	11.25
Total			**(-) 35,243.42**	**Total**		**26,577.52**

Appendix 2.2

Excess expenditure against amounts authorised by the Legislature during the year

(Refer paragraph 2.2.2.1; page 40)

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant/Appropriation	Total Provision	Actual Expenditure	Excess Expenditure
1.	I	State Legislature (RV)	96.45	110.35	13.90
2.	I	State Legislature (CV)	1.80	1.83	0.03
3.	VI	Excise Administration (RV)	213.48	250.91	37.43
4.	IX	Fiscal Administration, Planning, Surveys and Statistics (RV)	15,085.24	17,677.87	2,592.63
5.	IX	Fiscal Administration, Planning, Surveys and Statistics (RC)	10,505.15	10,847.88	342.74
6.	IX	Fiscal Administration, Planning, Surveys and Statistics (CV)	959.90	1,300.97	341.07
7.	IX	Fiscal Administration, Planning, Surveys and Statistics (LV)	148.48	270.54	122.06
8.	IX	Fiscal Administration, Planning, Surveys and Statistics (PD)	4,683.99	27,471.10	22,787.11
9.	X	Home Administration (RV)	4,261.88	5,220.36	958.49
10.	XII	School Education (RV)	10,605.70	10,621.22	15.52
11.	XXIX	Forest, Science, Technology and Environment (RV)	319.05	475.84	156.78
12.	XXXI	Panchayat Raj (RV)	2,300.34	3,103.85	803.51
Total			**49,181.45**	**77,352.72**	**28,171.27**

RV: Revenue Voted; RC: Revenue Charged; CV: Capital Voted; LV: Loans Voted; PD: Public Debt

Appendix 2.3

Cases of expenditure incurred without approval of the Legislature

(Refer paragraph 2.2.2.1; pages 41)

(₹ in crore)

S. No.	Grant	Head of Account	Sub Head Description	Budget (O+S)	Re-appro-priation	Expen-diture
1.	XXXI – Panchayat Raj	25150079704V	04 - Transfer to Telangana Rural Development Fund	0	0	372.95
2.	XXXI – Panchayat Raj	22150219109V	09 - Swatch Bharath Mission - Gramin (SBM-G)	0	0	368.92
3.	IX – Fiscal Administration, Planning, Surveys and Statistics	20710111534V	34 - Amount Allocable to successor State of TS	0	0	234.5
4.	IX – Fiscal Administration, Planning, Surveys and Statistics	78100012500V	00 - Andhra Pradesh and Telangana	0	0	186.19
5.	XXXII – Rural Development	25010278905V	05 - Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	0	0	167.62
6.	IX – Fiscal Administration, Planning, Surveys and Statistics	20710180006V	06 - Contribution to Contribution Pension Scheme of Telangana State Aided Education Institutional Employees	0	124.96	163.53
7.	XXXII – Rural Development	25010279605V	05 - Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	0	0	148.51
8.	XXXI – Panchayat Raj	22150110205V	05 - National Rural Drinking Water Programme (NRDWP)	0	0	127.41
9.	IX – Fiscal Administration, Planning, Surveys and Statistics	20710180007V	07 - Pensioners PRC arrears	0	0	114.84
10.	XXXI – Panchayat Raj	22150278909V	09 - Swatch Bharath Mission -Gramin (SBM-G)	0	0	75.05
11.	XXIII – Backward Classes Welfare	22250310205V	05 - Gudumba Effected Persons Rehabilitation Scheme	0	72.60	72.60
12.	XXXI – Panchayat Raj	22150279609V	09 - Swatch Bharath Mission -Gramin (SBM-G)	0	0	39.49
13.	XXI – Social Welfare	22250110205V	05 - Gudumba Effected Persons Rehabilitation Scheme	0	33.74	33.74
14.	XXXI – Panchayat Raj	22150178905V	05 - National Rural Drinking Water Programme (NRDWP)	0	0	31.88
15.	XXXI – Panchayat Raj	22150179605V	05 - National Rural Drinking Water Programme (NRDWP)	0	0	13.71
16.	I - State Legislature	20710111134V	34 - Pension allocable to successor State of Telangana	0	0	12.25
17.	XXXIII – Major and Medium Irrigation	47010321351V	51 - NTR Sagar Modernization Work	0	6.94	6.94
18.	XXXIV - Minor Irrigation	47020078915V	15 - Lift Irrigation Works	0	0	6.50
19.	XXXV - Energy	68010020510V	10 - Loans to Transco for Modernisation and Strengthening of Transmission system in Hyderabad Metropolitan Area	0	0	6.43
20.	XXVII - Agriculture	24010011918V	18 - Implementation work plan programme Macro Management Basis	0	6.08	6.08
21.	IX – Fiscal Administration, Planning, Surveys and Statistics	20710110334V	34 - Pension allocable to successor State of Telangana	0	0	6.07

S. No.	Grant	Head of Account	Sub Head Description	Budget (O+S)	Re-appro-priation	Expen-diture
22.	XXVII - Agriculture	24010080008V	08 - Supply of Tablets PCs to Agriculture Department	0	0	5.19
23.	XXIII – Backward Classes Welfare	22250319004V	04 - Financial Assistance to Telangana State Backward Classes Co-operative Finance Corporation	0	4.69	4.69
24.	XXII – Tribal Welfare	42250227782V	82 - Construction of Ashram Schools for ST Girls/Boys in Naxal affected areas with ACA	0	4.15	4.15
25.	XXIV - Minority Welfare	22250480046V	46 - Gudumba Effected Persons Rehabilitation Scheme	0	6.58	3.28
26.	XVI - Medical and Health	22110010497V	97 - Add Charges Transferred from SMH 06 towards repairs of Motor Vehicles under Family Welfare	0	0	1.67
27.	XXXI – Panchayat Raj	22356010404V	04 - Deposit Linked Insurance Scheme	0	1.21	1.36
28.	XXIII – Backward Classes Welfare	42250227775V	75 - Buildings for School Complexes	0	0	0.91
29.	XVI - Medical and Health	22100111096V	96 - Add-Charges transferred from 06 P.H. towards repairs of Motor Vehicles of Primary Health Centres on Pro-rata basis	0	0	0.39
30.	XXI – Social Welfare	42250180006V	06 - Construction of Community Hall under promotion of Inter Caste Marriage and erection of Ambedkar Statue	0	0.30	0.30
31.	XXVII - Agriculture	28510079704V	04 - Transfer to Sericulture Development Fund	0	0	0.24
32.	XVI - Medical and Health	22100610197V	97 - Add Charges	0	0	0.23
33.	X – Home Administration	40700080038V	38 - Providing External Electrification and CCTV Surveillance System at Central Prison, Hyderabad	0	0	0.17
34.	XXVII - Agriculture	44010080074V	74 - Buildings for Agriculture Department	0	0	0.09
35.	XXXIV - Minor Irrigation	27020310110V	10 - Construction of New Minor Irrigation Tanks under TSILIP	0	0	0.05
36.	XXXIII – Major and Medium Irrigation	47010312126V	26 - Dam and Appurtenant Works	0	0.03	0.03
Total				**0**	**261.28**	**2,217.96**

Appendix 2.4

Statement of Grants/Appropriations with significant saving of more than ₹ 100 crore each and by more than 20 *per cent* of total provision

(Refer Paragraph 2.2.2.3; page 43)

(₹ in crore)

S. No.	Grant No.	Name of the Grant/Appropriation	Total Provision	Expenditure	Saving	In *per cent*
Revenue Voted						
1	III	Administration of Justice	592.17	391.46	200.71	33.89
2	V	Revenue, Registration and Relief	1,908.13	1,293.72	614.41	32.20
3	XI	Roads, Buildings and Ports	1,339.72	737.38	602.34	44.96
4	XIII	Higher Education	2,125.54	1,331.68	793.86	37.35
5	XVI	Medical and Health	5,480.31	3,982.70	1,497.61	27.33
6	XVII	Municipal Administration and Urban Development	4,613.34	1,527.63	3,085.72	66.89
7	XVIII	Housing	2,019.27	548.55	1,470.72	72.83
8	XX	Labour and Employment	800.68	580.92	219.76	27.45
9	XXI	Social Welfare	9,641.01	5,828.81	3,812.20	39.54
10	XXII	Tribal Welfare	5,398.51	3,749.92	1,648.59	30.54
11	XXIII	Backward Classes Welfare	4,622.04	2,691.25	1,930.79	41.77
12	XXIV	Minority Welfare	1,352.79	982.48	370.31	27.37
13	XXV	Women, Child and Disable Welfare	1,745.66	1,275.20	470.46	26.95
14	XXVII	Agriculture	5,706.12	4,361.95	1,344.18	23.56
15	XXVIII	Animal Husbandry and Fisheries	634.41	454.96	179.45	28.29
16	XXXIII	Major and Medium Irrigation	1,0152.69	377.14	9,775.55	96.29
17	XXXVI	Industries and Commerce	1,239.17	628.53	610.64	49.28
18	XXXVIII	Civil Supplies Administration	2,061.96	1,524.43	537.53	26.07
Capital Voted						
19	X	Home Administration	1,013.98	398.55	615.43	60.69
20	XI	Roads, Buildings and Ports	4,481.60	2,440.22	2,041.38	45.55
21	XII	School Education	339.06	127.00	212.06	62.54
22	XVI	Medical and Health	436.25	262.37	173.88	39.86
23	XXI	Social Welfare	1,011.06	295.74	715.31	70.75
24	XXII	Tribal Welfare	1,444.06	345.29	1,098.77	76.09
25	XXIII	Backward Classes Welfare	609.32	174.29	435.03	71.40
26	XXVII	Agriculture	1,082.87	471.41	611.46	56.47
27	XXVIII	Animal Husbandry and Fisheries	163.86	12.35	151.51	92.46
28	XXIX	Forest, Science, Technology and Environment	140.00	9.97	130.03	92.88
29	XXXI	Panchayat Raj	6,570.00	2,688.85	3,881.15	59.07
30	XXXII	Rural Development	2,746.02	0.00	2,746.02	100.00
31	XXXIII	Major and Medium Irrigation	22,291.31	11,218.45	11,072.86	49.67

S. No.	Grant No.	Name of the Grant/Appropriation	Total Provision	Expenditure	Saving	In *per cent*
32	XXXIV	Minor Irrigation	2,310.22	1,358.14	952.09	41.21
33	XXXV	Energy	3,951.39	2,721.27	1,230.12	31.13
34	XXXVI	Industries and Commerce	277.84	74.03	203.82	73.36
Loans Voted						
35	XI	Roads, Buildings and Ports	484.17	310.66	173.51	35.84
36	XVI	Medical and Health	530.71	276.28	254.43	47.94
37	XVII	Municipal Administration and Urban Development	2,311.23	1,622.95	688.28	29.78
38	XXXV	Energy	598.24	293.79	304.45	50.89
Total			**1,14,226.70**	**57,370.30**	**56,856.40**	**49.78**

Appendix 2.5

Major Policy Initiatives

(Refer Paragraph 2.5; page 47)

Sl. No.	Major Policy	Status of Implementation
1.	**KCR-KIT (AMMAVODI):** The Scheme, launched June 2017, aimed at providing compensation of wage loss to pregnant women who are receiving health services from public health institutions in the State in pre and post-natal periods. The compensation was to be paid at a rate of ₹12,000 for a baby boy and ₹13,000 for a baby girl in four installments. KCR Kit at a rate of ₹2,000 would be distributed to each of the beneficiary. The objective of the KCR Kit scheme was to reduce the infant mortality rate and encourage institutional deliveries in the state.	**Budget:₹** 605.00 crore **Expenditure:** ₹271.07 crore **Physical Target:** 6.00 lakh Beneficiaries **Physical Achievement:** 6.57 lakh Beneficiaries registered **Reasons for Non- Utilization of Funds:** There was a higher achievement in physical target due to more registrations indicating positive response from public. However, the expenditure was lower the budget provision. Commissioner of Health and Family Welfare informed that an amount of ₹274.23 crore could not be utilised due to non-clearance of bills by the Finance Department.
2.	**Arogya Lakshmi:** This Scheme was aimed to provide health and nutrient services to the pregnant women, lactating mothers and children of age from seven months to six years to reduce Infant Mortality Rate and Maternal Mortality Rate.	**Budget**: ₹429.00 crore **Expenditure**: ₹176.32 crore **Physical target:** coverage of 21,05,792 beneficiaries **Physical achievement**: covered 18,23,339 beneficiaries (87 *per cent*) **Shortfall:** 2,82,453 beneficiaries (13 *per cent*) Director, Women Development and Child Welfare Department stated that the budget could not be utilised due to freezing of funds.
3.	**Kalyana Lakshmi:** The Scheme provided one-time financial assistance (₹51,000 and later ₹75,116 as per Government orders dated May 2017) to every Schedule Caste (SC), Schedule Tribe (ST), Backward class (BC) or Economic Backward Class (EBC) girl at the time of marriage, whose parental income does not exceed ₹2 lakh per annum.	**<u>SC Development Department:</u>** **Budget:**₹210.00 crore **Expenditure:**₹165.63 crore **Physical target:** Coverage of 27,957 SC girls **Physical achievement:** Covered 25,523 SC girls (91 *per cent*) **<u>Tribal Welfare Department:</u>** **Budget:**₹132.00 crore **Expenditure:**₹108.21 crore **Physical Target:** Coverage of 17,647 ST girls **Physical achievement**: Covered 16,326 ST girls (93 *per cent*)

		BC Welfare Department: **Budget:**₹400.00 crore **Expenditure**: ₹386.42 Crore **Physical Target**: Coverage of 90,110 BC and EBC girls. **Physical achievement:** Covered 56,309 BC and EBC girls (62 *per cent*) The budget allocation of ₹400 crore was short, with reference to the norm of ₹75,116 for the target of 90,110 girls (requirement ₹676.87 crore). Commissioner, BC Welfare had requested (January 2018) for release of additional ₹300 crore of supplementary budget for this purpose which was not provided by the Government. The Commissioner of BC Welfare stated (October 2018) that the applicants, who are left would be covered in the next financial year.
4.	**Shaadi Mubarak:** The Scheme provided one-time financial assistance (₹75,116) to every unmarried girl belonging to minority community, at the time of marriage, whose parental income does not exceed ₹2 lakh per annum.	**Budget:** ₹170.00 crore **Expenditure:** ₹161.82crore**.** **Physical Target:** 26,625 minority girls **Physical achievement:** 24,928 minority girls (94 *per cent*). It was observed that that an amount of ₹8.18 crore was withdrawn (31 March 2018) by the Finance Department through re-appropriation orders while 1,688 applications were pending for payment.
5.	**Construction of Two Bedroom Houses to the Urban Poor and others:** The Scheme was aimed at providing two-bedroom houses with 506 square feet flats with two bed rooms, two toilets, a hall and a kitchen to houseless beneficiaries of below poverty line families. The target was 2.80 lakh houses (1.26 lakh rural houses and 1.54 lakh urban houses). As per the Govt. of Telangana, the Govt. is committed to provide Two Bed Room Houses along with infrastructure facilities to	**Budget:** ₹1,000 crore **Expenditure:** ₹75 crore **Physical Target:** 2,80,070 houses[85] **Physical achievement:** Nil **Reasons for non-achievement of target:** Though an amount of ₹75 crore released by the Government, Telangana State Housing Corporation Limited (TSHCL) informed audit that no amount was received from the State Government. **No expenditure was incurred on the scheme by TSHCL**. However, it was observed that TSHCL actually received (October 2017) the amount of ₹75 crore from the Government.

[85]Rural area: 1,26,000 houses, Urban area: 1,54,070 houses (including 1,00,000 houses in GHMC area)

	houseless beneficiaries of BPL families. Selection of beneficiaries for sanction of a house will be done by the Revenue Departments at district level through Grama Sabhas and the District Collectors are empowered to accord administrative sanction for the houses.	
6.	**Most Backward Classes Development:** Government created (May 2017) this Corporation to improve social, educational and financial conditions of the most backward classes amongst the BCs.	**Budget:**₹1,000.00 crore **Expenditure**: ₹4.06 crore (₹2.15 crore on salaries of Chairman and his staff, *etc*., and remaining amount is lying in the SB account) **Physical Target:** Action plan not approved During Exit Conference (January 2019) the Government stated that the no programme could be taken up for want of definition of the term 'Most Backward'.
7.	**Assistance to Weavers:** Special budget was allocated to BC welfare to improve wage earning to the weavers through input linked wage compensation subsidy on yarn, dyes and chemicals.	**Budget**: ₹1,200.00 crore **Expenditure**: ₹444.98 crore **Physical target:** Coverage of 30,000 weavers **Physical achievement: C**overed 20,000 weavers (67 *per cent*) Out of ₹444.98 crore released by the Government to Director of Handlooms and Textiles, ₹313.60 crore was only actually spent and the remaining ₹131.38 crore was lying in SB account as of September 2018.
8	**Pradhan Mantri Gram Sadak Yojana (PMGSY):** The main objective of the scheme was to provide connectivity to the habitations and to upgrade the exiting gravel/WBM roads to the BT standards including construction of cross drainage works. It is a centrally assisted state plan scheme with a sharing pattern of **60:40** between Centre and State.	**Budget**: ₹950 crore **Expenditure**:₹118.85 crore (₹116.52 crore towards scheme and ₹2.33 crore towards administrative expenses) **Physical target:** Connectivity to 55 Habitations **Physical achievement:** Connectivity to 33 Habitations. Government of India released ₹99.22 crore, the State was to release another ₹66.14 crore as its share, totaling to ₹165.36 crore. However, the total release was only ₹118.85 crore. Thus, there was short release of ₹46.51 crore by the State Government. An amount of ₹831.15 crore was withdrawn through re-appropriation orders.
9	**Swachh Bharat Mission Gramin (SBM-G):** It is a centrally assisted State plan scheme with a sharing pattern of 60:40 between Central and State Government to improve the levels of	**Budget**: ₹697.41 crore **Expenditure**: ₹483.46 crore **Physical target:** Construction of 937 Community Sanitary Complexes, Individual House Hold Latrines (IHHL)-(APLs) – 38,325, IHHL (BPLs)-13.02 lakh, Solid Liquid Waste

	cleanliness through Solid and Liquid Waste Management activities and making Gram Panchayats Open Defecation Free (ODF), clean and sanitized.	Management project-2569, IEC Activities-10,665. **Physical achievement:** Completed only 3 (0.32 *per cent*) Community Sanitary Complexes; in other components the achievement was full or more than 80 *per cent*. Project Director, State Swachh Bharat Mission (G) replied that due to delay in receipt of funds, construction of Community Sanitary complexes was most affected as only three complexes were constructed out of 937 leaving a shortfall of 99.68 *per cent.* GoI released additional funds of ₹200 crore. The matching share to be released by the State was ₹133.33 crore. However, State Government did not release total amount of ₹333.33 crore during the year. Project Director, State Swachh Bharat Mission (G) replied that additional funds from GoI have been received in the month of March 2018 and the same was expended by May 2018.
10	**Economic Support Schemes and Land Purchase Scheme:** **Economic Support Scheme (ESS):** It is a Self-Employment scheme in which small, medium and major enterprise Units are designated at District Level. As per this scheme subsidy is given to units up to 80 *per cent* of the unit cost restricted to maximum ₹1.00 lakh, 70 *per cent* of the unit cost restricted to ₹2.00 lakh and 60 *per cent* of the unit cost limited to ₹5.00 Lakh. **Land Purchase Scheme (LPS):** The objective of the scheme was to purchase and assign 3.00 acres of agricultural land to the Land Less SC farmers. Land Purchase Scheme shall be implemented with 100 *per cent* subsidy.	**Budget**: ₹1,334.89 crore **Expenditure**: ₹536.37 crore **Physical target:** 29,791 number of units/LPS:3500 acres **Physical achievement: covered** 13,981 (47 *per cent*)/ LPS:792 acres (23 *per cent*) **Reasons for shortfall in financial achievement**: The Telangana Scheduled Castes Cooperative Development Corporation Limited replied that cheques worth ₹279.74 crore was rejected due to closing of the financial year. Further, an amount of ₹33.74 crore was re-appropriated to another scheme namely "Gudumba Effected Persons Rehabilitation Scheme" though there was no provision. **Reasons for shortfall in Physical achievement**: The Telangana Scheduled Castes Cooperative Development Corporation Limited replied that the shortfall in ESS was due to (i) administrative issues at District and Mandal level and (ii) non-assigning of savings bank and loan account numbers to the beneficiaries by the bankers and in LPS due to (i) pattadars not coming forward to sell lands at the rates offered and (ii) non-availability of agriculture lands in the districts.

Appendix 2.6

Provision of funds under incorrect heads

(Refer Paragraph 2.6; page 47)

Sl. No.	Description	Head / Section to be provided under as per rules	Head / Section under which funds were provided incorrectly	Amount provided incorrectly (₹ in crore)
1.	530 – Major works	Capital Section	Revenue Section	9,326.88
2.	270 – Minor Works	Revenue Section	Capital Section	1,212.26
3.	Grants-in-Aid	Revenue Section	Capital Section	817.68
4.	Minor works under Afforestation Fund	Revenue Section	Capital Section	130.00
5.	520 – Machinery and Equipment / 521 Purchases	Capital Section	Revenue Section	80.79
6.	Supply of tablet PCs to Agriculture Departments	Revenue Section	Capital Section	5.19
Total				**11,572.80**

Glossary of terms

Terms	Basis of Calculation
Development Expenditure	Social Services + Economic Services
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Primary deficit defined as the fiscal deficit net of interest (*i.e.,* Primary Deficit = Fiscal Deficit – Interest payments)
Revenue Surplus	Revenue Receipts – Revenue Expenditure
Terms	**Description**
Capital Expenditure	Expenditure of a capital nature such as construction of irrigation projects, bridges, buildings, laying of roads, irrigation and electricity projects, *etc*.
Development Expenditure	The analysis of the expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances are categorized into social services, economic services and general services. Broadly, the social and economic services constitute Development Expenditure, while expenditure on general services is treated as non-development expenditure.
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.
GSDP	GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production at current prices
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.
Primary Revenue Deficit	Primary Revenue Deficit defined as gap between non-interest Revenue Expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under Revenue account.
Public Debt	Public Debt comprises of loans raised by Government such as market loans, loans from the Life Insurance Corporation of India, *etc*., 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, *etc*.

Sufficiency of non-debt receipts	Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
Ways and Means Advances	Temporary advances taken from the Reserve Bank of India to bridge the gap between inflow and outflow of cash of the Government.

Abbreviations

Acronym		Full form
AC Bills	:	Abstract Contingent Bills
AIBP	:	Accelerated Irrigation Benefits Programme
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
CPO	:	Chief Planning Officer
CPS	:	Contributory Pension Scheme
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
HUDCO	:	Housing and Urban Development Corporation
I&CAD		Irrigation and Command Area Development
IMR	:	Infant Mortality Rate
KIPCL	:	Kaleshwaram Irrigation Project Corporation Limited
LPS	:	Land Purchase Scheme
MA &UD	:	Municipal Administration and Urban Development
MFPS	:	Medium Term Fiscal Policy Statement

MGNREGS	:	Mahatma Gandhi National Rural Employment Guarantee Scheme
MPLADS	:	Members of Parliament Local Area Development Scheme
NHM	:	National Health Mission
NPS	:	National Pension Scheme
NRDWP	:	National Rural Drinking Water Programme
NRHM	:	National Rural Health Mission
NTR	:	Non-Tax Revenue
PAO	:	Pay and Accounts Office
PAC	:	Public Accounts Committee
PCI	:	Per Capita Income
PD account	:	Personal Deposit account
PMGSY	:	Pradhan Mantri Gram Sadak Yojana
PRI	:	Panchayat Raj Institutions
RBI	:	Reserve Bank of India
RoI	:	Return on Investment
RTF	:	Reimbursement of Tuition Fee
SBM-G	:	Swachh Bharat Mission-Gramin
SCCDCL	:	Scheduled Castes Co-operative Development Corporation
SCSP	:	Scheduled Castes Sub-Plan
SERC	:	State Electricity Regulatory Commission
SOTR	:	State's Own Tax Revenue
SPDCL	:	Southern Power Distribution Company of Telangana Limited
SPV	:	Special Purpose Vehicle
TDWSCL	:	Telangana Drinking Water Supply Corporation
TE	:	Total Expenditure
TRANSCO	:	Transmission Corporation
TRICOR	:	TS Scheduled Tribes Cooperative Finance Corporation Limited
TSAWT	:	Telangana State Advocates Welfare Trust
TSDISCOMS	:	Telangana State Distribution Companies
TSIIC	:	Telangana State Industrial Infrastructure Corporation
TSP	:	Tribal Sub Plan
TSRTC	:	Telangana State Road Transport Corporation
UCs	:	Utillisation Certificates
UDAY	:	Ujwal DISCOM Assurance Yojana
ULB	:	Urban Local Bodies
ZP	:	Zilla Parishad