

# **Chapter I**

## **Overview of Economic Sector**



## Chapter I

### Overview of Economic Sector

#### 1.1 Introduction

This Report covers matters arising out of audit of Departments and Autonomous Bodies under the Economic Sector of Government of Telangana.

For the purpose of administration in Telangana, there are 32 Departments at the Secretariat level headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries who are assisted by Directors/ Commissioners/ Chief Engineers and subordinate officers under them. This report covers the functioning of 11 Departments of the Economic Sector viz. Agriculture & Co-operation, Rain Shadow Areas Development, Animal Husbandry & Fisheries, Energy, Environment, Forests, Science & Technology, Industries & Commerce, Information Technology, Electronics & Communications, Irrigation & Command Area Development, Public Enterprises, Roads & Buildings and Infrastructure & Investment.

#### 1.2 Trend of Expenditure

During the year 2017-18, Economic Sector accounted for 20<sup>174</sup> per cent (₹ 29,758.51 crore) of the total expenditure (₹ 1,49,127.91 crore) of the Government of Telangana. Of the total expenditure of ₹ 29,758.51 crore incurred by 11 Departments during 2017-18, a major portion (94 per cent) was incurred by four top spending Departments. These were Irrigation & Command Area Development (44 per cent), Energy (21 per cent); Agriculture (17 per cent) and Roads & Buildings (12 per cent).

The trend of expenditure incurred by 11 Departments under Economic Sector during the period 2015-16 to 2017-18 is given in **Table 1.1**.

**Table 1.1: Trend of expenditure over last three years**

(₹ in crore)

Sl. No.	Name of the Department	2015-16	2016-17	2017-18	
				% age of Total Expenditure	
1	Agriculture & Co-operation	5668.08	5775.06	4969.48	16.70
2	Rain Shadow Areas Development <sup>175</sup>				
3	Animal Husbandry & Fisheries	543.00	664.91	522.71	1.76
4	Energy	5195.32	15258.32	6411.14	21.54
5	Environment, Forests, Science and Technology	364.71	430.06	485.81	1.63
6	Industries & Commerce	777.56	377.56	733.25	2.46
7	Information Technology, Electronics & Communications	87.33	158.19	129.44	0.44
8	Irrigation and Command Area Development	10978.72	15723.72	13005.31	43.70
9	Public Enterprises	0.80	1.12	1.39	0.01

<sup>174</sup> Source: Appropriation Accounts of Government of Telangana.

<sup>175</sup> Expenditure of this Department is covered under Grant No. XXVII – Agriculture.

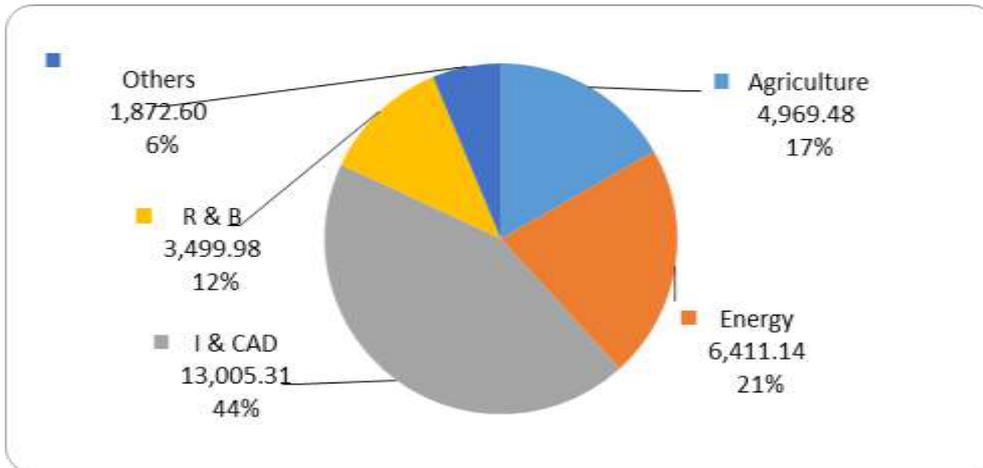
10	Roads and Buildings	2917.20	4463.44	3499.98	11.76
11	Infrastructure & Investment <sup>176</sup>				
<b>Total</b>		<b>26532.72</b>	<b>42852.38</b>	<b>29758.51</b>	

Source: Appropriation Accounts of Government of Telangana for the relevant years

**Expenditure by Departments in Economic Sector**

The sectoral distribution of expenditure in Economic Sector during 2017-18 is shown in the **Chart 1.1**.

**Chart 1.1: Sectoral allocation under Economic Sector**



Source: Appropriation Accounts of Government of Telangana

Analysis of outlays in Economic Sector showed the following trends:

- The outlay of the Government in Economic Sector decreased in 2017-18 by 31 per cent over previous year (2016-17). The decrease was mainly in respect of Departments of Energy (58 per cent) and Irrigation and Command Area Development (I & CAD) (17 per cent).
- With regard to Energy sector, there was a spike in 2016-17 due to government investments of ₹ 10,497.62 crore in Power Distribution companies under the UDAY scheme<sup>177</sup>. In 2017-18, the investment returned to normal pattern.
- Similarly, there was a significant increase in investment in irrigation sector in 2016-17 with the inception of Kaleshwaram project on which ₹ 5,072.39 crore was spent. Subsequent to the formation of “Kaleshwaram Irrigation Project Corporation Limited (KIPCL)”, a Special Purpose Vehicle created for the purpose, the project was funded mainly through market borrowings of ₹ 10,967.60 crore (2017-18) raised by the SPV. As a result, the outlay in Irrigation Sector registered a decline of 17.29 per cent in 2017-18.

<sup>176</sup> Expenditure of Infrastructure & Investment is covered under Grant No. XI – Roads, Buildings and Ports.

<sup>177</sup> Government of India launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) scheme under which the State Government was to take over 75 per cent of outstanding debt of the DISCOMs and transfer this sum to the DISCOMs in the form of grant (50 per cent), loan (25 per cent) and equity (25 per cent).

Other sectors like Agriculture & Co-operation, Animal Husbandry & Fisheries and Roads and Buildings Departments registered a decrease in expenditure compared to that of 2016-17.

### 1.3 Authority for Audit

Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits Economic Sector departments of the Government as per the following:

- **Audit of expenditure**, as per section 13<sup>178</sup> of the DPC Act;
- **Financial audit** of four autonomous bodies (ABs)<sup>179</sup> under Economic Sector, as per sections 19(2)<sup>180</sup>, 19(3)<sup>181</sup> and 20(1)<sup>182</sup> of the DPC Act; and
- **Audit of other ABs**, which are substantially funded by the Government, as per section 14<sup>183</sup> of the DPC Act.

Regulations on Audit and Accounts - 2007 and Auditing Standards of the CAG, lay down the principles and methodologies for audits.

### 1.4 About this Report

The primary purpose of Audit Reports is to bring important results of audit to the notice of the State Legislature. The audit findings are expected to enable the executive to take corrective action in cases of lapses/ deficiencies. They also help to frame policies and directives for improved management and better governance.

This Report on Economic Sector relates to matters arising from Compliance Audit<sup>184</sup> of selected programmes and activities of the Departments coming under Economic Sector.

<sup>178</sup> Departments delivering economic services, which include (i) General Economic Services; (ii) Agriculture and allied services; (iii) Industry and Minerals; (iv) Water and Power Development; and (v) Transport and Communications.

<sup>179</sup> (i) Telangana State Electricity Regulatory Commission (TSERC) under Section 19(2), (ii) Telangana Khadi and Village Industries Board (TKVIB) under Section 19(3), (iii) Environment Protection Training and Research Institute (EPTRI) under Section 20(1) and (iv) Telangana State Compensatory Afforestation Fund Management and Planning Authority (TSCAMPA) under Section 20(1) of DPC Act.

<sup>180</sup> Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

<sup>181</sup> Audit of accounts of Corporations (not being companies) established by or under law made by State Legislature in accordance with the provisions of respective legislations.

<sup>182</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

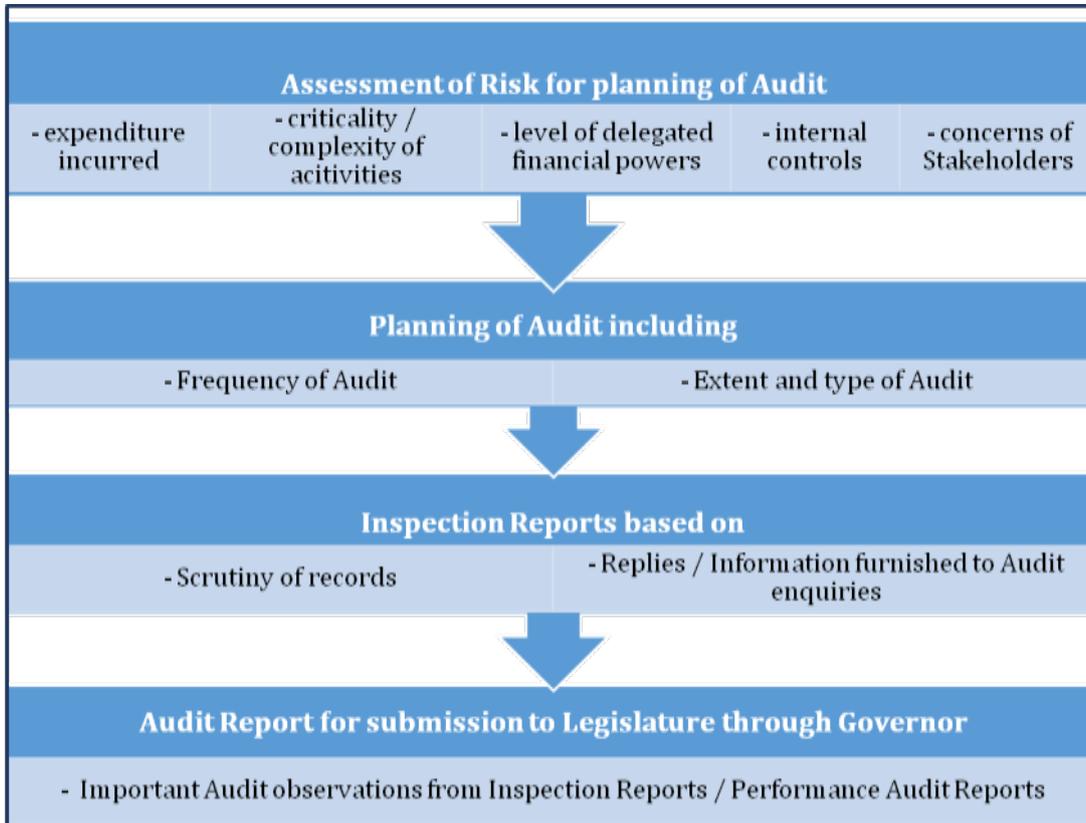
<sup>183</sup> Audit of all receipts and expenditure of (i) any Body or Authority substantially financed by grants or loans from the Consolidated Fund and (ii) any Body or Authority where the grants or loans to such body or authority from the Consolidated Fund in a financial year is not less than ₹ one crore.

<sup>184</sup> Compliance Audit covers examination of transactions relating to expenditure of audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

## 1.5 Planning and conduct of audit

The following flow chart depicts planning and conduct of audit:

**Chart 1.2: Planning and conduct of audit**



Audit conducted inspection of various Departments/ Organisations under the Economic Sector in 2017-18 and issued 117 Inspection Reports with 1,046 paragraphs.

## 1.6 Response to Audit

### 1.6.1 Response to past Inspection Reports

The following process is adopted in respect of Inspection Reports.

- Accountant General (AG) issues Inspection Reports (IRs) to the heads of offices inspected with a copy to the next higher authority.
- Heads of offices and next higher authorities are required to rectify the defects and omissions mentioned in IRs and report compliance to AG.
- Half yearly reports of pending IRs are sent to Secretaries of Departments concerned to monitor outstanding audit observations.

As of 30 September 2018, there were 1,972 IRs issued up to March 2018 consisting of 7,740 paragraphs remained to be settled yet (Department wise break up is given in *Annexure 8*). Of these, Audit did not receive even first replies in respect of 865 paragraphs in 96 IRs (year-wise break up is given in *Annexure 9*).

Important audit observations arising out of these Inspection Reports are processed further for inclusion in Audit Reports, which are submitted to the

Governor of the State under Article 151 of the Constitution of India for laying before the State Legislature.

**1.6.2 Response to present Compliance Audit Reports**

Audit forwarded draft paragraphs to the Principal Secretary concerned during August to November 2018. Replies of the Government have been suitably incorporated in the Report.

**1.6.3 Response to recommendations of the Public Accounts Committee**

Finance and Planning Department had issued (May 1995) instructions to all Departments for submission of Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) relating to paragraphs included in the Audit Reports. The Departments were to submit ATNs within six months. All Departments have furnished ATNs as of 30 September 2018, except Irrigation and Command Area Development Department in respect of two<sup>185</sup> recommendations.

---

<sup>185</sup> (i) Para 24.4 and 24.5 in 13<sup>th</sup> report of X Legislative Assembly and (ii) Para 3.4 in 8<sup>th</sup> report of XII Legislative Assembly.

