सत्यमेव जयते

Report of the Comptroller and Auditor General of India

State Finances Audit Report

for the year ended 31 March 2021

भारतीय लेखापरीक्षा और लेखा विभाग ✦ INDIAN AUDIT AND ACCOUNTS DEPARTMENT

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

GOVERNMENT OF TELANGANA

Government of Telangana

Report No. 1 of 2022

Report of the
Comptroller and Auditor General of India

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for the year ended 31 March 2021

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Preface

This Report has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India for being laid before the Legislature of the State.

Chapter 1 of this Report contains the basis, approach and structure of the Report, structure of Government Accounts, Budgetary processes, compliance with Telangana State Fiscal Responsibility and Budget Management (TSFRBM) Act targets, trends in key fiscal parameters like Revenue Surplus/ Deficit, Fiscal Surplus/ Deficit, etc., and Fiscal correction path.

Chapters 2 and **3** of the Report contain audit findings on matters arising from an examination of Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2021. Information has been obtained from Government of Telangana, wherever necessary.

Chapter 4 on 'Quality of Accounts and Financial Reporting Practices' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

Chapter 5 discusses the financial performance of Telangana State Public Sector Undertakings (PSUs) and results of oversight role of the Comptroller and Auditor General of India (CAG) through monitoring the performance of Statutory Auditors and supplementary audit of accounts of the PSUs. Audit Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before the Legislature of Telangana under provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (as amended).

The Reports containing the findings of Performance Audit and Compliance Audit in various Government departments, observations arising out of audit of Statutory Corporations, Boards and Government Companies and observations on Revenue Receipts are presented separately.

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

Executive Summary

Executive Summary

1 The Report

This report on the finances of the Government of Telangana is brought out to assess the financial performance of the State during the year 2020-21 vis-à-vis the Budget documents, Telangana State Fiscal Responsibility and Budget Management (TSFRBM) Act, Medium Term Fiscal Policy Statement, Fifteenth Finance Commission (XV FC) Report. It also analyses the trends and structural profile of Government's receipts and disbursements.

This report provides an analytical review of the Finance Accounts of the State Government and is compiled based on the audited accounts of the Government of Telangana for the year ending 31 March 2021, Data from sources such as Economic Survey, Socio-Economic Outlook of Telangana, XV Finance Commission Report, etc for the year 2020-21.

Our opinions on the budgeting mechanism and implementation of Appropriation Act approved by the Legislature are also detailed out.

Further, analysis on the Quality of Accounts and compliance of the State Government in financial reporting practices with prescribed financial rules, procedures and directives with regards to their completeness, transparency, measurement and disclosure requirements are discussed.

The report concludes with exposition of the financial performance of the State Public Sector Undertakings (SPSUs) and the impact of comments issued after supplementary audit of the Financial Statements of these PSUs by the Comptroller and Auditor General of India.

2 Audit Findings

2.1 Fiscal position

During 2020-21, the economic slowdown coupled with Covid -19 Pandemic had a twin effect of decrease in Revenue Receipts and increase in Revenue Expenditure, particularly in the initial months of the financial year as compared to previous year. The State had to depend significantly on Ways and Means Advances.

During 2020-21, Telangana registered lowest growth rate in the last five years. However, while the country registered a negative growth rate of 2.97 per cent in 2020-21, it is heartening to note that the Telangana could still register a positive growth rate of 2.42 per cent.

The State was not able to achieve any of the three key fiscal targets i.e., maintenance of Revenue Surplus, targets of Fiscal Deficit to GSDP and total outstanding liabilities to GSDP for the year 2020-21.

For the second consecutive year, the State registered a Revenue Deficit (₹22,298 crore). The Fiscal Deficit was ₹49,038 crore. The Revenue Deficit was understated to an extent of ₹545 crore and the fiscal deficit was understated to an extent of ₹214 crore due to non-discharge of interest liabilities, short contribution to National Pension System and on account of certain misclassifications between Revenue and Capital expenditure.

Although the percentage of total outstanding liabilities to GSDP (28.11 per cent) was within the limit of 29.50 per cent of GSDP prescribed by the XV Finance commission for the year 2020-21, this would be way above the limit at 38.10 per cent if the liabilities of the State Government regarding its Off-Budget Borrowings (OBB) of ₹97,940.45 crore are considered. Non-disclosure of OBB has a dual impact of diluting public financial management and Legislative oversight and is in contravention of the recommendations of the XV FC.

(Chapter 1)

2.2 Finances of the State

Revenue Receipts of the State decreased marginally by ₹1,630 crore (1.59 per cent) while Revenue Expenditure increased by ₹14,414 crore (13.25 per cent) during the year 2020-21 over the previous year. Both State's Own Tax Revenue (₹66,650 crore) and Non-Tax Revenue (₹6,101 crore) decreased marginally in comparison to preceding year. The State received compensation of ₹5,483 crore towards revenue loss due to GST implementation, partly as Grants (₹3,103 crore) and partly as back-to-back loans (₹2,380 crore) from GOI. The debt servicing of this loan would be done from the collection of cess in the GST compensation Fund and hence, repayment obligation will not be on the other resources of State. Share in central share taxes (₹12,692 crore during 2020-21) is decreasing during the past three years while the Grants-in-Aid (₹15,471 crore during 2020-21) have been increasing. As of March 2021, the State was not in receipt of certain specific Grants amounting to ₹964 crore recommended for the year 2020-21 by the XV Finance Commission.

Revenue Expenditure (₹1,23,212 crore) during 2020-21 has increased in comparison to previous year (₹1,08,798 crore) while Capital Expenditure (₹15,922 crore) has decreased from preceding year (₹16,859 crore).

The increase of Revenue Expenditure over the preceding year was mainly due to higher outgo of (i) ₹4,763 crore towards Assistance to TRANSCO for agriculture and allied subsidies (₹9,872 crore in 2020-21), (ii) ₹3,431 crore towards Investment Support Scheme i.e., Rythu Bandhu (₹14,637 crore in 2020-21), (iii) ₹2,453 crore towards interest payment on State Development Loans (₹16,841 crore in 2020-21) and (iv) ₹1,864 crore towards Relief on account of Natural Calamities due to higher expenditure under Covid-19 Pandemic (₹3,050 crore in 2020-21). The State Government received an amount of ₹1,005 crore from Telangana Building and Other Construction Workers' Welfare Board

in April 2020 towards expenditure incurred by Telangana Civil Supplies Corporation for welfare of labourers during initial Covid-19 Pandemic months. This amount was classified as Non-Tax Revenue under Revenue Receipts.

There was an increase in all the components of committed expenditure within the Revenue Expenditure. Interest payments, in particular, are increasingly consuming Revenue Receipts year after year. Huge capital expenditure of ₹1,44,399 crore was incurred as of March 2021 on ongoing irrigation projects.

The State has been persistently trailing in respect of expenditure on Education and Health when compared to the other General States.

Loans and Advances given during the year (₹10,868 crore) have increased in comparison to previous year (₹8,700 crore). However, most were provided to institutions towards interest payments/principal repayments towards loans taken for implementing Government schemes. State Government has not discharged its commitment of ₹7,092 crore for taking over losses of DISCOMs under the UDAY scheme as agreed in the tripartite agreement with GoI and the DISCOMs as at end of March 2021.

The Government did not make statutory contributions of ₹1,161 crore and ₹525 crore to Consolidated Sinking Fund and Guarantee Redemption Fund respectively. The State Government adjusted only ₹21 crore from out of State Disaster Response Fund towards Covid-19 Pandemic expenditure whereas ₹397 crore could have been adjusted as per special one-time dispensation extended by Government of India (GoI), out of which ₹282 crore could have been the share of GoI.

Excluding back-to-back loans of ₹ 2,380 crore in lieu of GST compensation short fall the total outstanding Debt and outstanding Public Debt at the end of the year increased by 18.72 per cent and 19.09 per cent over the preceding year. Growth rate of these two was much higher than that of GSDP, which grew at 2.42 per cent or Revenue Receipts, which, in fact, have declined.

The Government resorted to longer maturity borrowings as 58.98 per cent of its market borrowings during the year were with a maturity of 20 to 30 years. However, there was no evidence on record to show that the Government has made any financial impact study for long maturity borrowings with similar interest rates.

The State Government was not fully disclosing all the Guarantees given by it to various institutions. The Government also did not ensure financial performance and accountability of institutions before providing Guarantees.

As the State registered Revenue Deficit, Market borrowings had to be used to finance Revenue Deficit and Fiscal Deficit. Utilisation of Ways and Means and Advances has increased significantly in the current year due to Covid-19 Pandemic.

There was no progress in apportionment of Assets and Liabilities between Andhra Pradesh and Telangana during 2019-20 and 2020-21.

(Chapter 2)

2.3 Budgetary Management

The State Legislature initially approved a budget of ₹1,82,959 crore and supplementary provision of ₹26,131 crore. The actual expenditure incurred was ₹2,34,088 crore, resulting in net excess expenditure of ₹24,998 crore.

Savings occurred in all parts of voted section, while excess expenditure occurred in Revenue Charged and Public Debt Repayment sections. The excess expenditure on Public Debt Repayment was mainly due to repayment of Ways and Means Advances. Excess expenditure under Revenue Charged section was mainly due to 'Interest on State Development Loans' (excess of ₹1,833 crore), 'Interest on General Provident Fund' (₹46 crore) and 'Telangana State Life Insurance Fund' (₹215 crore) which could have been provided in the Budget with reasonable accuracy.

There is a consistent trend of incurring expenditure without budget provision (₹1,247 crore during 2020-21) as also expenditure over and above the provision (₹81,514.54 crore) across the years in contravention of the Constitutional provisions. Such excess expenditure of ₹1,32,547 crore from 2014-15 to 2019-20 was yet to be regularised.

The budgets for the administrative Grants were under-estimated while welfare and development Grants were over-projected. As a result, persistent excess expenditure occurred in Fiscal Administration and Home administration Grants, while savings occurred in welfare Grants indicating inadequate implementation of welfare schemes.

Municipal Administration and Urban Development (Capital Voted - ₹7,547 crore), Housing (Revenue Voted - ₹7,069 crore) and Social Welfare (₹6,124 crore) were the Grants in which major amounts remained unspent during the year. There were persistent savings of more than ₹1,000 crore in Municipal Administration, Social Welfare, Tribal Welfare and Agriculture Grants.

Entire Provisions remained unspent in respect of Hyderabad Urban Agglomeration (₹10,000 crore), Construction of Two Bed Rooms House to the Rural Poor (₹3,150 crore), Two Bed Room Houses (₹1,850 crore), and Market intervention fund (₹1,000 crore). Of these, Hyderabad Urban Agglomeration and Market intervention Fund were new initiatives announced during the Budget speech. Out of ₹6,225 crore provided towards Scheme for debt relief to farmers, only an amount of ₹213 crore was spent, leaving an unspent provision of ₹6,012 crore. In respect of ₹5,000 crore provided towards construction of Two Bed Room Houses to the urban poor, only ₹550 crore was utilised resulting in saving of ₹4,450 crore. Low expenditure on maintenance of irrigation projects continued in the current year, like the previous year.

Under 22 Sub-heads in 17 Grants, the entire Supplementary Provision of ₹241 crore approved by Legislature was withdrawn indicating futility in obtaining approval for supplementary provisions at the end of the year.

(Chapter 3)

2.4 Quality of Accounts and Financial Reporting Practices

Amounts (₹269 crore) pertaining to State Compensatory Afforestation Fund (SCAF), which should have been maintained in public account, were kept in a Nationalised Bank. Amounts (₹217 crore) receivable from user agencies, which were to be credited to SCAF, were still with National CAMPA as payment gateway was under establishment.

Government did not discharge its interest liability over the funds lying in State Disaster Response Fund (₹59 crore) and State Compensatory Afforestation Fund (SCAF) (₹135 crore) and Defined Contribution Pension Scheme Deposits (₹19 crore).

There is a decrease in unadjusted Abstract Contingent bills both in number and amounts as on 31 March 2021. The average time take to adjust Abstract Contingent bills was abnormally high in respect of Health, Medical and Family Welfare Department (11 years) and in respect of Finance Department (5 years). Further, substantial average time taken by Revenue and Agriculture Departments (more than 2 years) is also a matter of concern since huge amounts are involved.

State Government has indiscriminately operated **Minor Head** ***'800' – Other Receipts and Other Expenditure and despite having relevant Minor Heads .***

Non-reconciliation of accounts by the account rendering units/authorities affected accuracy and completeness of accounts of the State.

Delay in submission of Annual Accounts by the Government Companies and Autonomous Bodies dilutes accountability and impacts the purpose of preparation of accounts.

The State Government is yet to comply with the three notified Indian Government Accounting Standards.

(Chapter 4)

2.5 Financial Performance of State Public Sector Undertakings (SPSUs)

As on 31 March 2021, 82 State Public Sector Undertakings (SPSUs) Enterprises in Telangana (including 79 Government Companies and three Statutory Corporations) were under the audit jurisdiction of the Comptroller & Auditor General of India. Of the 82 PSUs, eight PSUs relate to Power Sector and 74 relate to sectors other than Power including three Government Companies newly incorporated during the year 2020-21. Out of these PSUs, 16 companies were inactive and under either liquidation or were defunct.

As per their latest accounts and information furnished, the PSUs registered an annual turnover of ₹66,316.99 crore, which was equal to 6.76 per cent of the Gross State Domestic Product (GSDP) of Telangana during 2020-21. As on 31 March 2021, the investment of the Central and State Governments and Others in equity and long-term loans in these 82 PSUs was ₹1,20,070.67 crore.

Out of the 30 PSUs which had furnished their accounts/ information for 2020-21, 12 PSUs earned profits (₹728.63 crore), 16 PSUs incurred losses (₹10,295.63 crore) and two PSUs had reported neither profit nor loss. Major profit-making PSUs during the year 2020-21 were Singareni Collieries Company Limited (SCCL) (₹272.64 crore), Telangana State Power Generation Corporation Limited (₹168.80 crore), Transmission Corporation of Telangana Limited (₹206.77 crore) and Telangana State Forest Development Corporation Limited (₹51.83 crore). Only one company SCCL declared dividend of ₹173.32 crore during the year 2020-21. However, the profits of the 12 PSUs were offset by the losses incurred by Southern Power Distribution Company of Telangana Limited (₹4,622.60 crore), Northern Power Distribution Company of Telangana Limited (₹2,440.36 crore), Telangana State Road Transport Corporation (₹2,329.23 crore) and Telangana State Housing Corporation Limited (₹733.15 crore). These huge losses during the above period contributed to the overall losses of the PSUs.

The total accumulated losses of 19 PSUs was ₹67,580.38 crore and after setting off accumulated profit of nine PSUs ₹7,723.78 crore, the net accumulated losses were at ₹59,856.60 crore as on 31 March 2021. As a result of losses, the combined net worth of 30 PSUs was completely eroded and it stood at (-) ₹38,741.14 crore as on 31 March 2021.

Out of 66 working PSUs, Financial Statements for the year 2020-21 were received only from seven PSUs in time. Fifty-nine PSUs have defaulted in timely submission of accounts. Of these, 36 PSUs accounts were due for more than three years and 16 PSUs have not even submitted their first accounts since their incorporation.

As a result of the audit of CAG, statutory auditors of seven PSUs revised their Audit Report. In addition, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹302.03 crore and assets / liabilities by ₹6,041.46 crore were also issued.

Irregularities and deficiencies in the financial reports observed during supplementary audit which are not material, were communicated to the Management of ten PSUs through 'Management Letters' for taking corrective action.

(Chapter 5)

Chapter 1

Overview

Chapter 1 Overview

1.1 Profile of the State

The State of Telangana came into existence on 2 June 2014 consequent to the bifurcation of the erstwhile composite State of Andhra Pradesh. Telangana is the 12th largest State in the country in terms of both area (1,12,077 square kilometres) as well as population (3.51 crore as per Census 2011). The per capita income[1] of Telangana at current prices was ₹2,37,632 in 2020-21, which was 1.84 times the all India average of ₹1,28,829. General and financial data relating to Telangana is given in ***Appendix 1.1***.

The Covid-19 Pandemic had a huge adverse impact on economic activity across the globe and India. It also adversely impacted the State Finances of Telangana, which was already impacted by economic slowdown[2]. We have prepared the Report keeping the background of the situation during 2020-21 in view, accordingly impact on key parameters are brought out in the box below.

Covid – 19 Pandemic and its impact on State Finances

During 2020-21, the growth rate of Telangana's Gross State Domestic Product (which was more than 10 *per cent* during 2016-17 to 2019-20) dipped to less than 3 *per cent*.

During 2020-21, the economic slowdown coupled with Covid -19 Pandemic had a twin effect of decreasing Revenue Receipts and increasing Revenue Expenditure, particularly in the initial months of the year as compared to previous year. Month-wise impact of Covid-19 Pandemic on the State's revenue and expenditure vis-à-vis previous years is shown in Charts 1 and 2:

Chart 1: Trend of month-wise Revenue Receipts during 2018-21 (₹ in crore)

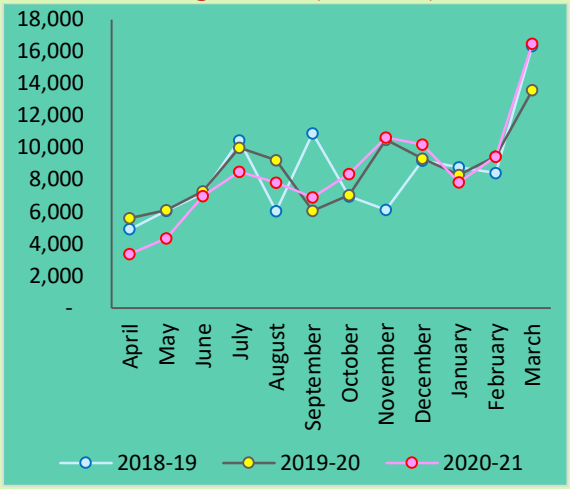
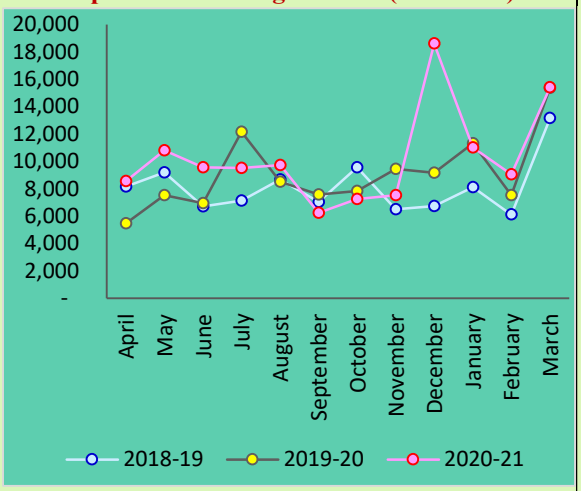


Chart 2: Trend of month-wise Revenue Expenditure during 2018-21 (₹ in crore)



Source: Finance Accounts

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[1] As per Socio Economic Outlook 2021(prepared by Director of Economics and Statistics), the Per capita income measures the amount of money that would be available if the total value of all goods and services produced in the economy was divided equally among all citizens. An important point to note is that capital goods (e.g. machines) depreciate in value with time. To adjust for this, before dividing, we first subtract this depreciation from the GSDP.

[2] As noted by the XV Finance Commission in its Report for the year 2020-21

Revenue Receipts

In comparison to previous years, the Revenue Receipts during 2020-21 were considerably lesser in the beginning of the financial year, when the State was under lockdown imposed due to Covid-19 Pandemic. In comparison with April and May 2019 revenue receipts of the State decreased by 39.85 *per cent* (from ₹5,615.20 crore in 2019-20 to ₹3,377.60 crore in 2020-21) and 28.65 *per cent* (from ₹6,104.40 crore in 2019-20 to ₹4,355.76 crore in 2020-21) in April and May 2020 respectively. The Revenue Receipts continued to be less in July and August 2020 also, when partial lockdowns continued, as compared to the previous year.

However, the State Government received the following to combat the Covid-19 Pandemic:

- Amount of ₹1,004.82 crore from Telangana Building and Other Construction Workers Welfare Board (TBOCWWB) as 'Grants, Donations, contributions received from Companies, Corporations, Bodies, Authorities and other Institutions' to meet expenditure on pandemics (refer to ***Box 2.1*** of ***paragraph 2.4.1.1*** for further details) in April 2020.
- An amount of ₹462.36 crore from the Government of India as Grants-in-Aid/central assistance etc towards "National Health Mission (₹395.76 crore)" and "National Social Assistance Programme (₹66.60 crore)". Out of this an amount of ₹248.42 crore were received in the months of April and May 2020.

Despite the above, the Revenue Receipts of the State Government decreased in comparison to previous year (by ₹1,629.45 crore) and were far below (less by ₹42,238 crore) when compared to Budget Estimates (refer to ***paragraph 1.5.1*** and ***2.4.1*** for further details).

Revenue Expenditure

In comparison to previous years, the Revenue Expenditure during 2020-21 was significantly higher during the first quarter. During the months of April, May and June 2019, the Revenue Expenditure of the State increased by 56.18 *per cent* (from ₹5,478.75 crore to ₹8,556.57 crore), 43.51 *per cent* (from ₹7,529.45 crore to ₹10,805.22 crore) and 37.74 *per cent* (from ₹6,941.64 crore to ₹9,561.40 crore) in April, May and June 2020 respectively. On the whole in 2020-21, the Revenue Expenditure increased by ₹14,414.51 crore (13.25 *per cent*) as compared to 2019-20.

During the previous year (2019-20), the State Government spent ₹1,242.08 crore towards Covid-19 Pandemic relief measures. **In the current year expenditure on Covid-19 Pandemic was ₹3,050.33 crore, out of which ₹2,734.89 crore was in April 2020** . Major portion of it was through transfer to Deposit account of Telangana Civil Supplies Corporation. Further, the entire expenditure on Covid – 19 Pandemic was classified as "Other Charges" at Detailed Head level under MH-2245-Relief on account of Natural Calamities, making it difficult to identify nature or form or object of expenditure (refer to ***paragraph 1.5.2*** and ***2.5.2*** for further details).

Expenditure on Medical and Public Health (Major Heads: 2210 and 4210)

The Revenue Expenditure on Major Head Medical and Public Health during 2020-21 (₹3,305.85 crore) was less than previous year (₹3,962.74 crore), while the Capital Expenditure in the current year (₹258.84 crore) was marginally higher than previous year (₹231.88 crore).

State Disaster Response Fund

Government of India (GoI), by way of special one-time dispensation for the year 2020-21 allowed (September 2020) the State Governments to utilise State Disaster Response Fund (SDRF) for procurement of essential equipment / setting up of testing laboratories for response to COVID-19

Pandemic and to take measures for quarantine, sample collection and screening with an overall cap of 50 *per cent* of annual allocation of the SDRF. An amount of ₹598.67 crore was received into SDRF during the year. GoI further allowed (March 2021) the States to utilize up to 10 *per cent* of opening balance in State Disaster Response Fund as on 01 April 2020 in addition to the utilisation of 50 *per cent* of allocation allowed earlier. There was an opening balance of ₹977.67 crore in the Fund. However, the amount adjusted as disbursements under SDRF was only ₹21.03 crore as against ₹397.11 crore allowed (Refer to ***Box 2.4*** of paragraph ***2.6.2.2*** for further details).

Cash Management

The State had to resort to more Ways and Means Advances, which are taken from Reserve Bank of India to bridge the gap between receipts and expenditure for day-to-day business of the Government. In monetary terms, the dependency on WMA (₹69,453.90 crore) in 2020-21 increased by 86.47 *per cent* when compared to 2019-20 (₹37,247.59 crore). It may also be noted that there was a decrease in the Cash balance (₹9,192.99 crore) as of 31 March 2021 by ₹2,902.83 crore as compared to ₹12,095.82 crore as of 31 March 2020.

Fiscal parameters

The Revenue surplus of ₹4,482 crore as contemplated in the Budget Estimates could not be achieved. The State registered a Revenue Deficit of ₹22,298 crore, which was higher by ₹16,044 crore (256.54 *per cent*) when compared to 2019-20.

Our observations in this report are in light of the above background.

1.1.1 Gross State Domestic Product of Telangana

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important economic indicator denoting the level of economic development over a period of time. Changes in sectoral contribution to the GSDP represent the changing structure of the State economy. Trends in annual growth of State's GSDP[3] *vis-à-vis* Gross Domestic Product (GDP)[4] of the country are given in ***Table 1.1.***

Table 1.1: Trends in growth rate of GSDP *vis-à-vis* GDP

Year	2016-17	2017-18 (TRE)	2018-19 (SRE)	2019-20 (FRE)	2020-21 (AE)
GDP (2011-12 Series) (₹ in crore)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670
Growth rate of GDP over previous year (in *per cent*)	*11.76*	*11.03*	*10.51*	*7.75*	*(-)2.97*
State's GSDP (2011-12 Series) (₹ in crore)	6,58,325	7,50,050	8,60,078	9,57,207	9,80,407
Growth rate of GSDP over previous year (in *per cent*)	*13.92*	*13.93*	*14.67*	*11.29*	*2.42*

Source of data: Ministry of Statistics and Programme Implementation

TRE: Third Revised Estimates; SRE: Second Revised Estimates; FRE: First Revised Estimates; AE - Advanced Estimates

[3] Gross State Domestic Product is adopted at current prices throughout this Report

[4] Gross Domestic Product is adopted at current prices throughout this Report

During 2020-21, Telangana registered lowest growth rate in the last five years. However, GSDP of Telangana has all along registered a higher growth rate than the GDP of the country. While the country has registered a negative growth rate of 2.97 *per cent* in 2020-21, it is heartening to note that Telangana registered a positive growth rate of 2.42 *per cent* in spite of economic slowdown due to Covid-19 Pandemic and other factors.

The GSDP generated from economic activities is generally classified into Primary[5], Secondary[6] and Tertiary[7] Sectors, broadly corresponding to Agriculture, Industry and Services respectively. The sectoral contribution to GDP and GSDP of the State during 2020-21 are given in ***Charts 1.1*** and ***1.2***.

Chart 1.1: Sector-wise GDP for the year 2020-21 (₹ in crore and in *per cent*)

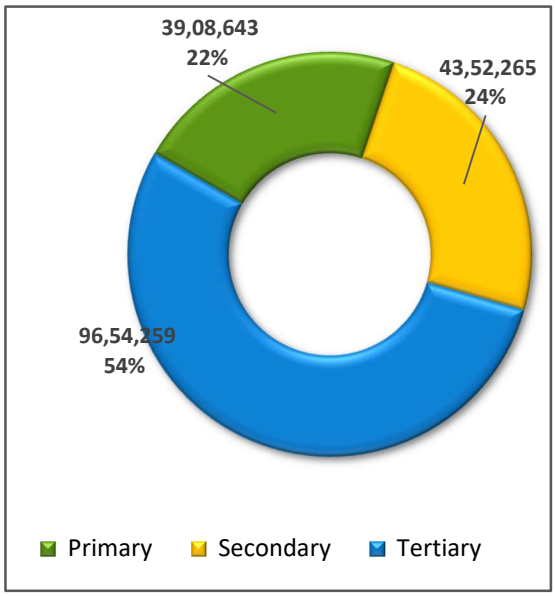
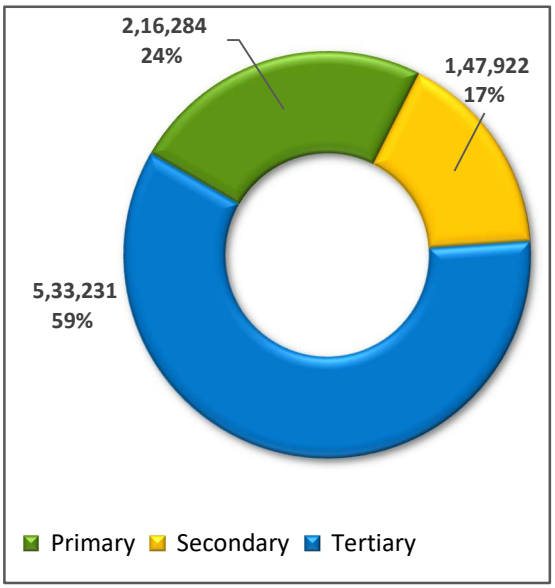


Chart 1.2: Sector-wise GSDP for the year 2020-21 (₹ in crore and in *per cent*)



Source: data of Ministry of Statistics and Programme Implementation for GDP and information furnished by Director of Economics and Statistics in respect of GSDP

However, the State's GSDP has a higher percentage of contributions from Services sector (higher by six *per cent*) and Agriculture and allied sectors (two *per cent*) than their contributions to the GDP of the country. The contribution from the secondary sector, i.e., Industries and Manufacturing to the GSDP is less to that extent when compared to GDP.

Under Primary sector, the major share was from 'Livestock' and 'Crops' which contributed 9.61 *per cent* and 8.22 *per cent* of GSDP respectively. Under Secondary sector, 'Manufacturing' contributed 9.59 *per cent* of GSDP. The major share of Tertiary sector in the GSDP of the State was on account of contribution from 'Real Estate, ownership of dwellings and professional services' which forms 18.87 *per cent* of GSDP.

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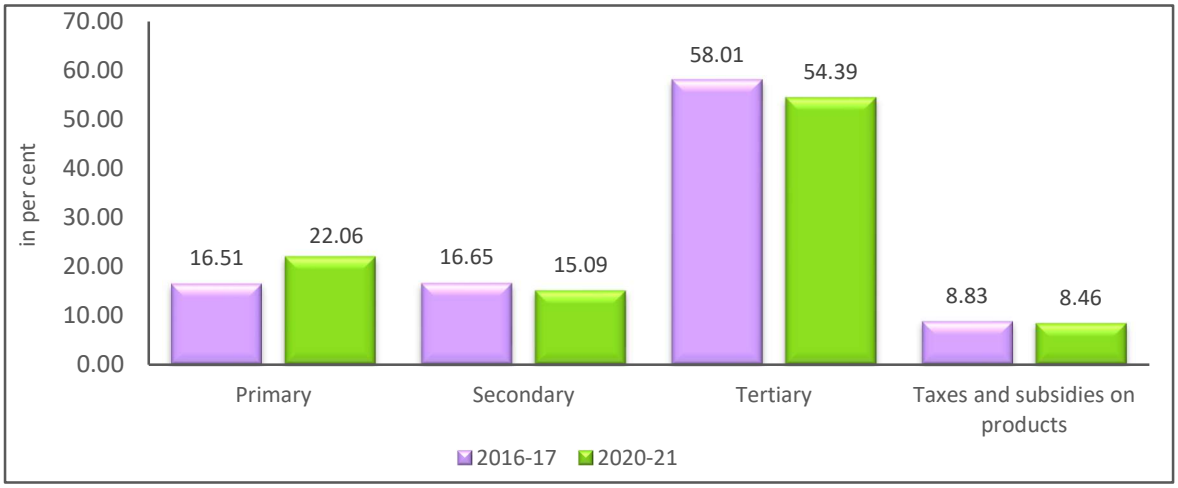
[5] Primary Sector includes Crops, Livestock, Forestry and Logging, Fishing and Aquaculture and Mining and Quarrying

[6] Secondary Sector includes Manufacturing, Electricity, Gas, Water Supply and Other utility services and Construction

[7] Tertiary Sector is Services sector and includes Trade and Repair services, Hotels and Restaurants, Transport, Storage, Communication Services, Financial services, Real Estate, ownership of dwellings etc

Change in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The change in sectoral contribution to GSDP for the period 2016-21 is shown in ***Chart 1.3***.

Chart 1.3: Changes in sectoral contribution to GSDP (2016-17 vis-à-vis 2020-21)

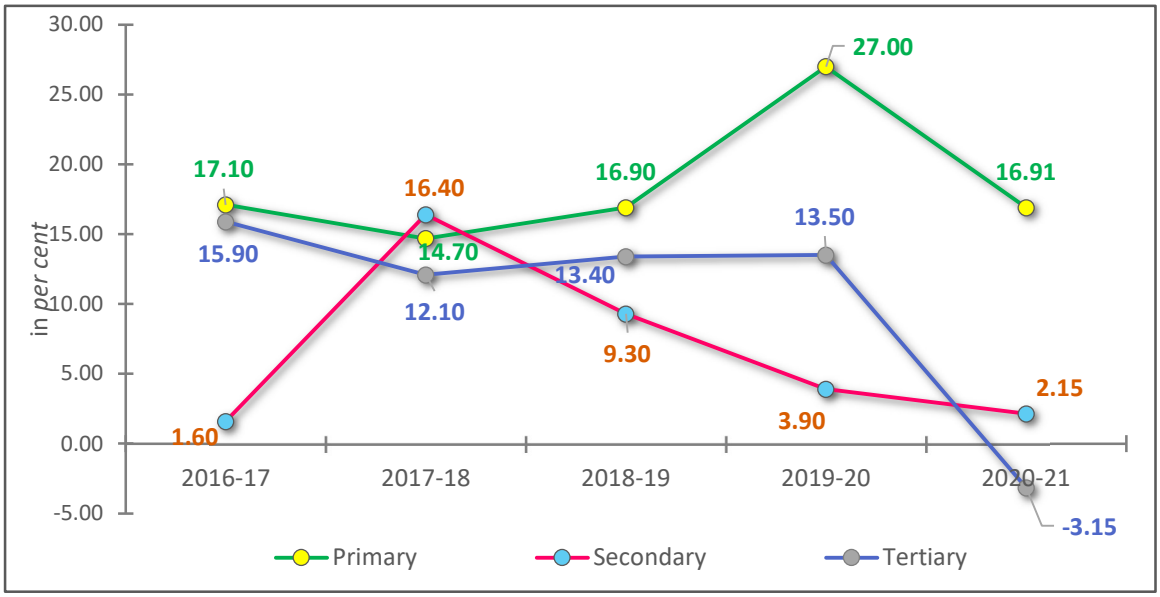


Source: Socio Economic Outlook 2021

The share of Primary sector in GSDP for 2020-21 was considerably higher than the previous years and is almost six *percentage* points higher than 2016-17. There was equivalent lower contribution from Secondary and Tertiary sectors. The huge increase in the share of Primary sector was mainly on account of Livestock (which increased from ₹39,816 crore in 2016-17 to ₹94,211 crore in 2020-21) and due to Crops (which increased from ₹43,529 crore in 2016-17 to ₹80,574 crore in 2020-21), both of which have nearly doubled. As a result of this, the contribution of Primary Sector to GSDP has also doubled in absolute terms, from ₹1,08,666 crore in 2016-17 to ₹2,16,284 crore.

Individual sectoral growth in GSDP is shown in ***Chart 1.4***.

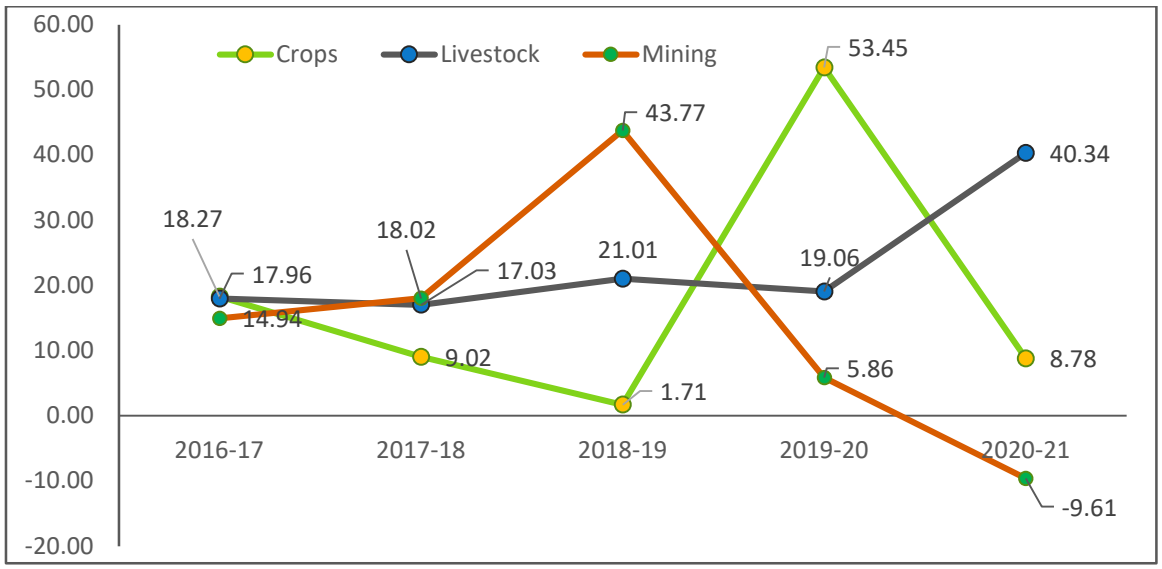
Chart 1.4: Sectoral growth rates of GSDP



Source: Socio Economic Outlook 2021 and information furnished by Director of Economics and Statistics in respect of 2020-21

The Primary sector has shown a consistent higher growth rate during the past three years, much higher than the other two sectors. While all the sectors have shown a fall in growth rates in 2020-21 in the background of Covid-19 Pandemic and other factors effecting economic progress, the Primary sector could still maintain a consistent growth rate.

Chart 1.5: Growth rate trends of main components in Primary sector



Source: Socio Economic Outlook 2021 and information furnished by Director of Economics and Statistics in respect of 2020-21

The livestock sector has been growing during the last five years and has shown a significant increase in growth during 2020-21. Growth rate of crops however has shown significant decrease during 2020-21.

1.2 Basis and approach to State Finances Audit Report

1.2.1 Preparation of Accounts of the State Government

Annual Accounts (Finance and Appropriation Accounts) are prepared by Accountant General (Accounts and Entitlements), Telangana from the compiled accounts and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the Government of Telangana and the advices received from the Reserve Bank of India. The treasuries, offices and/or Departments functioning under the control of the Government of Telangana are primarily responsible for preparation and correctness of the initial and subsidiary accounts as well as ensuring the regularity of transactions in accordance with the applicable laws, standards, rules and regulations relating to such accounts and transactions.

1.2.2 Audit of Accounts and preparation of State Finances Audit Report

The audit of annual accounts of Telangana is independently conducted in accordance with the requirements of Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for expressing an opinion on these Accounts based on the results of such audit.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. The reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Telangana for the year ending 31 March 2021 has been prepared by the CAG for submission to the Governor of Telangana under Article 151 (2) of the Constitution of India.

1.2.3 Sources for preparation of State Finances Audit Report

Finance Accounts and Appropriation Accounts of the State for the year 2020-21 constitute the core data for the State Finances Audit Report (SFAR). Other sources include the following:

- Telangana State Fiscal Responsibility and Budget Management (TSFRBM) Act;
- Gross State Domestic Product (GSDP) and other State related statistics from Ministry of Statistics and Programme Implementation (MoSPI) and Director of Economics and Statistics, Government of Telangana;
- Budget of the State, both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Data from the Treasuries and Departmental authorities (accounting as well as Management Information System);
- Recommendations of the Fourteenth Finance Commission (XIV FC) and Fifteenth Finance Commission (XV FC); and
- Results of audit carried out by the office of the Accountant General (Audit).

1.3 Structure of State Finances Audit Report

The State Finances Audit Report is structured in the following five Chapters:

Table 1.2: Structure of State Finances Audit Report

Chapter - 1 Overview	*This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government Accounts, Budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the Deficits / Surplus.*
Chapter - 2 Finances of the State	*This Chapter is based on Finance Accounts of the State. It provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to preceding year(s), overall trends during the period from 2016-17 to 2020-21, Debt profile of the State and key Public Account transactions.*
Chapter - 3 Budgetary Management	*This Chapter is based on Appropriation Accounts of the State. It reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.*

Chapter - 4 ***Quality of Accounts and Financial Reporting Practices***	*This Chapter reports on the Quality of Accounts rendered by various authorities of the State Government. It also reviews various issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.*
Chapter - 5 ***Financial Performance of State Public Sector Undertakings***	*This chapter discusses financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their accounts.*

1.4 Overview of Government Accounts Structure

The Accounts of the Government are kept in three Parts:

1. Consolidated Fund of the State

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments *etc*.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional Major Head relating to the Consolidated Fund of the State.

3. Public Account of the State

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net Cash Balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consists of tax revenue, Non-Tax Revenue, share of Union Taxes/ Duties, and grants from Government of India (GoI).

Revenue Expenditure consists of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

Capital Receipts consist of:

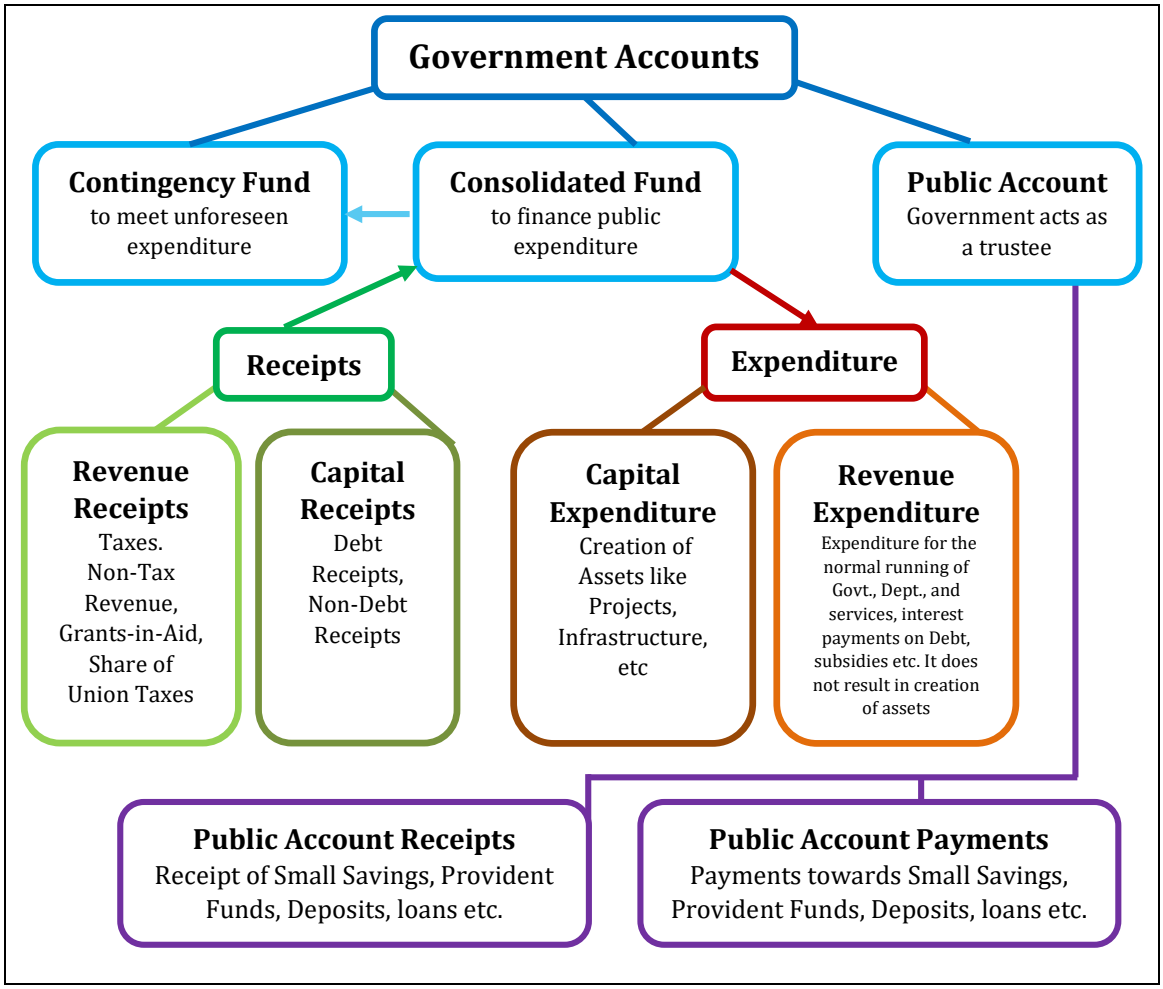
Debt receipts: Market Loans, Bonds, Loans from financial institutions, Net transactions under Ways and Means Advances, Loans and Advances from Central Government, etc.;

Non-debt receipts: Proceeds from disinvestment, Recoveries of Loans and Advances;

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and Loans and Advances by the Government to PSUs and other parties.

A pictorial depiction of the structure of Government Accounts is given in ***Chart 1.6***.

Chart 1.6: Structure of Government Accounts



Source: Finance Accounts

The accounting classification system in the Government is both functional and economic, as detailed below.

Table 1.3: Accounting classification framework

	Attribute of transaction	Classification
Standardised in List of Major and Minor Heads of Account of Union and States by Controller General of Accounts	Function - Education, Health, *etc*., Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object head-salary, minor works, *etc*. (2-digit)

Functional classification involves arranging the receipts and expenditure by economic categories, distinguishing the Government transactions into Sections like Revenue and Capital (including Public Debt, Loans and Advances), Sectors like Tax Revenue from other revenue and Grants-in-Aid, Sub-sectors like Taxes on Income and Expenditure, fiscal services, *etc.* On the expenditure side also, the transactions are classified into Sectors *viz*., General Services, Economic Services, Social Services and Grants-in-Aid and contributions and sub-divided into Major Heads of account below these Sectors. Major Heads of account falling within the Consolidated Fund generally correspond to 'Functions' of Government, such as 'Education', while Minor Heads subordinate to them identify the 'Programme' undertaken to achieve the objectives of the function represented by the Major Head. A programme may consist of a number of schemes or activities and these generally correspond to 'Sub-Heads' below the Minor Head. 'Detailed Head' below the Sub-Head, is primarily meant for itemised control over expenditure and indicates the object or nature of expenditure on a scheme or activity in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-Aid', *etc.*

1.5 Budgetary Process

In terms of Article 202 of the Constitution of India, the Governor of Telangana causes to be laid before the State Legislature, a statement of the estimated Receipts and Expenditure of the State for the year 2020-21, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. The Budget Manual details the process of budget preparation, budget execution and budget monitoring.

Pragathi Paddu (Scheme Expenditure) and Nirvahana Paddu (Expenditure for Establishment / Maintenance): With effect from the year 2017-18 in accordance with the norms set by the Union Government, the Plan and Non-Plan distinction was done away with, to bring the public schemes and projects under a monitorable output-outcome frame.

Accordingly, Plan and Non-Plan budgets were replaced with "Pragathi Paddu (Scheme Expenditure)" and "Nirvahana Paddu (Expenditure for Establishment/ Maintenance)" in the State.

Special Development Fund: Consequent to enactment of Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilization of Financial Resources) Act, 2017, the State Government has been preparing sub-budgets in the form of Scheduled Castes Special Development Fund and Scheduled Tribes Special Development Fund, in which portions of the total Pragathi Paddu outlays of State in a Financial year are earmarked proportionate to the Scheduled Castes (15.45 *per cent*)/Schedules Tribes (9.08 *per cent*) population in the State. Special Development Funds of the Departments shall include only such schemes that secure direct and quantifiable benefits to the Scheduled Castes/Scheduled Tribe individuals or households or habitations or areas.

Outcome/ Performance Budget: Outcome/Performance Budget is a comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities with their financial and physical aspects closely interwoven. It seeks to present the purposes and objectives for which funds are requested, the cost of various programmes and activities proposed for achieving these objectives and quantitative data measuring the work performed or services rendered or results accomplished under each programme and activity.

Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government along with utilisation of funds provided under Special Development Fund are detailed in ***Chapter 3***.

1.5.1 Snapshot of Finances

Table 1.4 provides the details of actual financial results vis-à-vis Budget Estimates (BE) for the year 2020-21 in comparison to actuals for the year 2019-20. Time series data of Government Finances for the years 2016-21 are given in ***Appendix 1.2.***

Table 1.4: Snapshot of Finances

Sl. No.	Components	2019-20 Actuals (₹ in crore)	2020-21 Budget Estimates (BE) (₹ in crore)	2020-21 Actuals (₹ in crore)	*Percentage* of Actuals to BE	*Percentage* of Actuals to GSDP
1	Own Tax Revenue	67,597	85,300	66,650	78.14	6.80
2	Non-Tax Revenue	7,360	30,600	6,101	19.94	0.62
3	Share of Union taxes/duties[(a)]	15,988	16,727	12,692	75.88	1.29
4	Grants-in-Aid and Contributions	11,599	10,525	15,471	146.99	1.58
5	**Revenue Receipts (1+2+3+4)**	**1,02,544**	**1,43,152**	**1,00,914**	**70.49**	**10.29**
6	Recovery of Loans and Advances	62	50	58	116.00	0.01
7	Other Receipts	--	--	--	--	--
8	Borrowings and other Liabilities[(b)]	31,759	33,191	49,038[8]	147.74	5.00
9	**Capital Receipts (6+7+8)**	**31,821**	**33,241**	**49,096**	**147.70**	**5.01**
10	**Total Receipts (5+9)**	**1,34,365**	**1,76,393**	**1,50,010**	**85.04**	**15.30**
11	**Revenue Expenditure**	**1,08,798**	**1,38,670**	**1,23,212**	**88.85**	**12.57**
12	Interest payments	14,386	14,615	16,841	115.23	1.72
13	**Capital Expenditure[(c)]**	**25,567**	**37,723**	**26,798**	**71.04**	**2.73**
14	Capital outlay	16,859	22,061	15,922	72.17	1.62
15	Loan and advances	8,700	15,662	10,868	69.39	1.11
16	Inter-State Settlements	8	0	8	--	0.00
17	**Total Expenditure (11+13)**	**1,34,365**	**1,76,393**	**1,50,010**	**85.04**	**15.30**
18	**Revenue Surplus (+) / Deficit (-) (5-11)**	**(-)6,254**	**4,482**	**(-)22,298**	**(-)497.50**	**(-)2.27**
19	**Fiscal Deficit {(5+6+7)-17}**	**(-)31,759**	**(-)33,191**	**(-)49,038**	**147.74**	**5.00**
20	**Primary Deficit (19-12)**	**(-)17,373**	**(-)18,576**	**(-)32,197**	**173.33**	**3.28**

Source: Finance Accounts

(a) Includes State's share of Union Taxes

(b) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance

(c) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed and inter-state settlements

The State Government estimated its Revenue Receipts higher by 39.60 *per cent* than what was received last year. Actually, the Revenue Receipts were 29.50 *per cent* less than estimates. The gap between Budget Estimates and actual Revenue Receipts in 2020-21 was ₹42,238 crore. The State Government had to depend more on borrowings to compensate for shortfall in Revenue Receipts. Consequently, the Borrowings and liabilities were 47.74 *per cent* higher than the estimates. Even after higher borrowings, the total expenditure was short by around 14.96 *per cent* when compared to its estimates. Fiscal Deficit was also higher by 47.74 *per cent* in comparison to Budget Estimates.

[8] This includes ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall, which is borrowed by GoI and would be serviced by it from out of GST compensation Cess and the repayment obligation need not be met from the other resources of the State

The Government stated (January 2022) that the budget was prepared before the onset of Covid-19 Pandemic and hence they were not in a position to factor it in the Budget Estimates before-hand.

1.5.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of Government and assets created out of the expenditure incurred. Liabilities consist mainly of internal borrowings, Loans and Advances from Government of India, receipts from Public Account and Reserve Funds, while assets comprise mainly of the Capital outlay and Loans and Advances given by State Government and Cash Balances. Summarised position of Assets and Liabilities is shown in ***Table 1.5***.

Table 1.5: Summarised position of Assets and Liabilities

Liabilities					Assets				
		2019-20 (₹ in crore)	2020-21 (₹ in crore)	*per cent* increase (+) / decrease (-)			2019-20 (₹ in crore)	2020-21 (₹ in crore)	*per cent* increase (+) / decrease (-)
Consolidated Fund									
A	Internal Debt	1,86,959	2,24,379	20.02	a	Gross Capital Outlay	1,18,735	1,34,657	13.41
B	Loans and Advances from GoI	7,999	10,174*	27.19	b	Loans and Advances	33,147	43,957	32.61
Contingency Fund		**50**	**50**	0.00			**4**	**0**	(-)100.00
Public Account									
A	Small Savings, Provident Funds, etc.	10,900	11,845	8.67	a	Advances	(-)23	(-)23	0.00
B	Deposits	21,121	26,201	24.05	b	Remittance	…	…	…
C	Reserve Funds	12,041	12,816	6.44	c	Suspense and Miscellaneous	…	…	…
D	Remittances	138	106	(-)23.19	Cash Balance (including investment in Earmarked Fund)		12,096	9,193	(-)24.00
E	Suspense and Miscellaneous Balances	498	266	(-)46.59	Total		1,63,959	1,87,784	14.53
					Deficit in Revenue Account		75,747	98,053	29.45
Total		**2,39,706**	**2,85,837**	**19.24**	**Total**		**2,39,706**	**2,85,837**	**19.24**

Source: Finance Accounts

* *The figure of ₹10,174 crore includes ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall, which is borrowed by GoI and would be serviced from out of GST compensation Cess and the repayment obligation need not be met from the other resources of the State*

In 2020-21, the Gross Capital outlay and Internal Debt increased by ₹15,922 crore (13.41 *per cent*) and ₹37,420 crore (20.02 *per cent*) respectively, as compared to previous year. The growth of ₹22,306 crore (29.45 *per cent*) in Revenue Account deficit is significant and concerning.

1.6 Fiscal Balance: Achievement of Deficit and total Debt targets

To ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit, reduction in Fiscal Deficit and prudent debt management, the State Government (erstwhile composite Andhra Pradesh) enacted the Andhra Pradesh Fiscal Responsibility and Budget Management Act (APFRBM), 2005, (amended in 2010, 2011). This Act was adapted by Government of Telangana in 2016 (TSFRBM Act) and subsequently amended in 2020. The Act prescribes fiscal targets for giving effect to the fiscal management objectives.

1.6.1 TSFRBM targets on key fiscal parameters and achievement thereon

Targets relating to key fiscal parameters as per TSFRBM Act during the five-year period 2016-17 to 2020-21 and their achievement is shown in ***Table 1.6***.

Table 1.6: Compliance with the provisions of Fiscal Responsibility and Budget Management Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus to be achieved during each year	1,386	3,459	4,337	(-)6,254	(-)22,298
		✓	✓	✓	✗	✗
Fiscal Deficit (-)/ Surplus (+) (as *percentage of GSDP*)	For the years 2016-18: 3.50 *per cent* For the year 2018-19 : 3.25 *per cent* For the year 2019-20: 3.25 *per cent* + ₹1,435 crore* For the year 2020-21 : 4.75 *per cent*#	(-)5.36 *per cent*	(-)3.56 *per cent*	(-)3.13 *per cent*	(-)3.17 *per cent*) + ₹1,435 crore	(-)5.00
		✗	✗	✓	✓	✗
Ratio of Total Outstanding Liabilities[9] to GSDP (in *per cent*)	25 *per cent*	20.47	22.11	22.9	24.26	28.11[10]
		✓	✓	✓	✓	✗

Source: Finance Accounts for the years concerned and Ministry of Statistics and Programme Implementation in respect of GSDP, Statement of Fiscal Policy

* *As per TSFRBM (Amendment) Act, 2020 (19 September 2020) which came into effect from 1 January 2020, additional Fiscal Deficit of ₹1,435 crore was permitted over and above 3.25 per cent of the GSDP in accordance with Government of India decision (February 2020) to allow additional borrowings beyond the State's eligibility as a one-time special dispensation for the Financial Year 2019-20.*

\# *As per GoI letter dated 17 May 2020, in addition to the normal borrowing limit of 3 per cent of GSDP, Telangana has been able to avail the additional borrowing limit up to 1.75 per cent of GSDP (Unconditional: 0.50 per cent; Fulfilling three of the four reforms: 0.50 per cent; Implementation of One Nation One Ration Card System – 0.25 per cent; Ease of doing business reform: 0.25 per cent; Urban Local body/ utility reforms: 0.25 per cent)*

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9 As per FRBM Act, "Total liabilities" means the liabilities under the Consolidated Fund of the State and Public Account of the State and shall also include borrowings by the Public Sector Undertakings and the Special Purpose Vehicles and other equivalent instruments including Guarantees where the principal and/or interest are to be serviced out of the State Budgets

10 Excludes ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall for which the repayment obligation need not be met from the other resources of the State

The purpose of GST compensation is to compensate States for loss of revenue arising on account of implementation of GST. During the year 2020-21, the State Government has received GST compensation of ₹3,103.07 crore as GIA from the GoI. Besides, due to inadequate balance in GST Compensation fund, shortfall in GST compensation was provided to the State as back to back loan of ₹2,380 crore which is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources. The revenue deficit of ₹22,298 crore and fiscal deficit of ₹49,038 crore of the State Government as depicted in the Finance Accounts 2020-21 should therefore, be read in conjunction with receipt of GST compensation of ₹2,380 crore as back to back loan with no repayment obligation on the State resources. Thus revenue deficit and fiscal deficit works out as ₹19,918 crore and ₹46,648 crore respectively during the year 2020-21 keeping in view the debt receipt of ₹2,380 crore in lieu of GST compensation.

The State could not achieve any of the above three targets during 2020-21. In fact, it failed to achieve a Revenue surplus for a second consecutive year since its formation in June 2014. The higher Revenue Deficit in 2020-21 was on account of higher Revenue Expenditure and lower Revenue Receipts when compared to 2019-20.

Further, achievement of the above targets as depicted in the accounts in earlier years have to be seen in the context of certain mis-classifications in accounts of the State Government as brought out in the State Finances Audit Reports of the Comptroller and Auditor General of India for the years concerned[11].

The Government stated (January 2022) that this shortfall was mainly because the borrowing limits were fixed by the GoI, based on the GSDP figures estimated at the beginning of the year. Further, the State planned its activities well ahead of the year, while audit analysed the figures after completion of the year. This mismatch is more pronounced in the current year because the State resources and GSDP have been adversely impacted, while the State had to expend more.

1.6.2 Achievement of projections made in Medium Term Fiscal Policy Statement

As per the TSFRBM Act, the Medium Term Fiscal Policy Statement shall set forth the fiscal management objectives and three year rolling targets for the prescribed fiscal indicators with clear enunciation of the underlying assumptions.

The State Government, along with budget documents, in the Statement of Fiscal Policy to be laid on the table of the Legislature has included Medium Term Fiscal Policy Statement (March 2021), in which the rolling targets for three years were mentioned. The achievement of these rolling targets was discussed in ***paragraph 1.6.1*** above.

The Medium Term Fiscal Policy Statement shall include the various assumptions behind the fiscal indicators and an assessment of sustainability relating to (i) the balance between revenue receipts and revenue expenditure; (ii) the use of capital receipts including borrowings for generating productive assets and (iii) estimated yearly pension liabilities

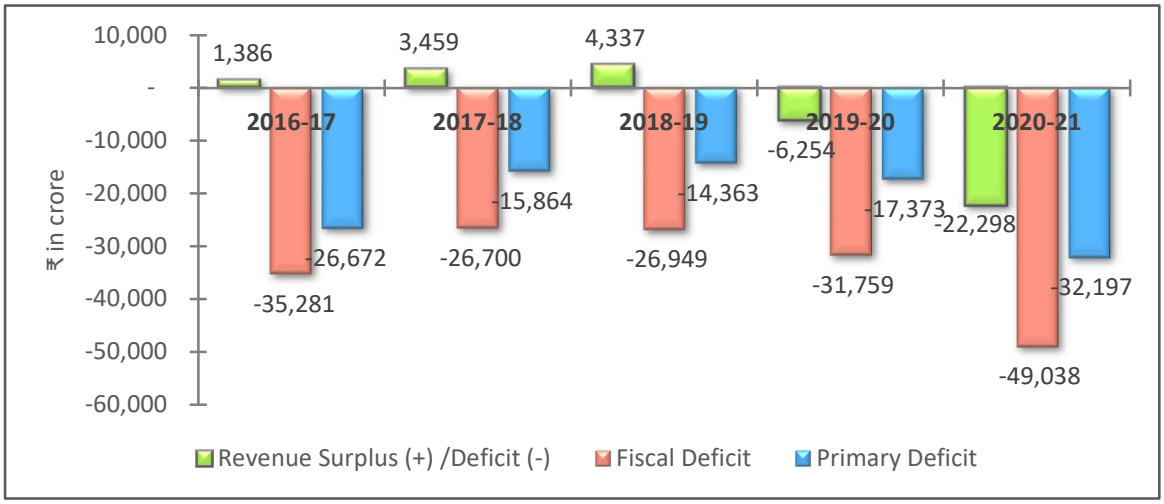
[11] previous year(s) SFAR can be accessed at https://cag.gov.in/ag/telangana

worked on actuarial basis for the next ten years. However, the Medium Term Fiscal Policy Statement did not include projections in respect of balance between revenue receipts and revenue expenditure, use of capital receipts for generating productive assets and yearly pension liabilities.

1.6.3 Trends of Surplus / Deficit

The trends of Surplus / Deficit parameters in absolute figures and relative to GSDP are depicted in ***Chart 1.7*** and ***Chart 1.8***.

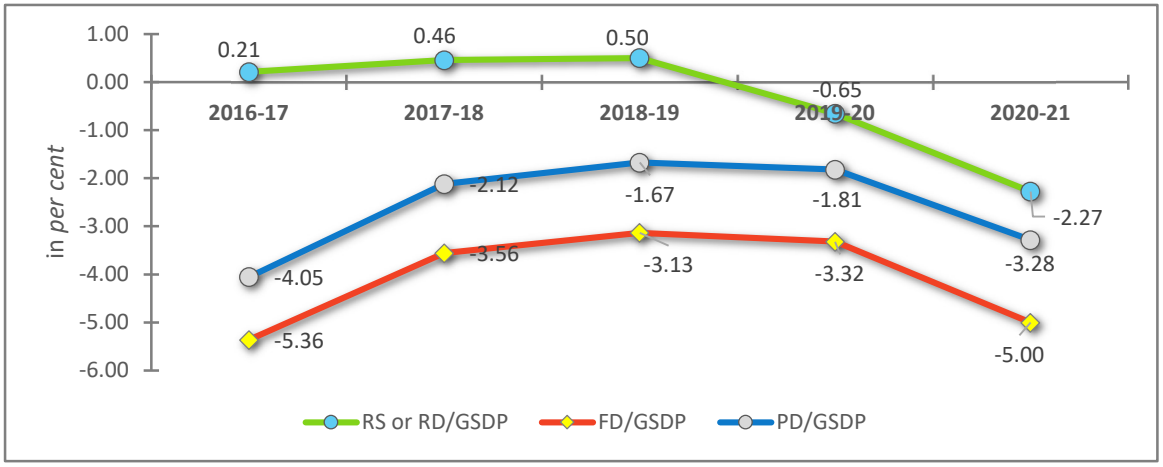
Chart 1.7: Trends of Surplus / Deficit parameters



Source: Finance Accounts

The State registered a Revenue Deficit of ₹22,298 crore during 2020-21. This Revenue Deficit was higher by ₹16,044 crore in comparison to previous year (₹6,254 crore). Fiscal Deficit (₹49,038 crore) and Primary Deficit (₹32,197 crore) were also higher by ₹17,279 crore and ₹14,824 crore respectively, compared to previous year.

Chart 1.8: Surplus / Deficit parameters relative to GSDP

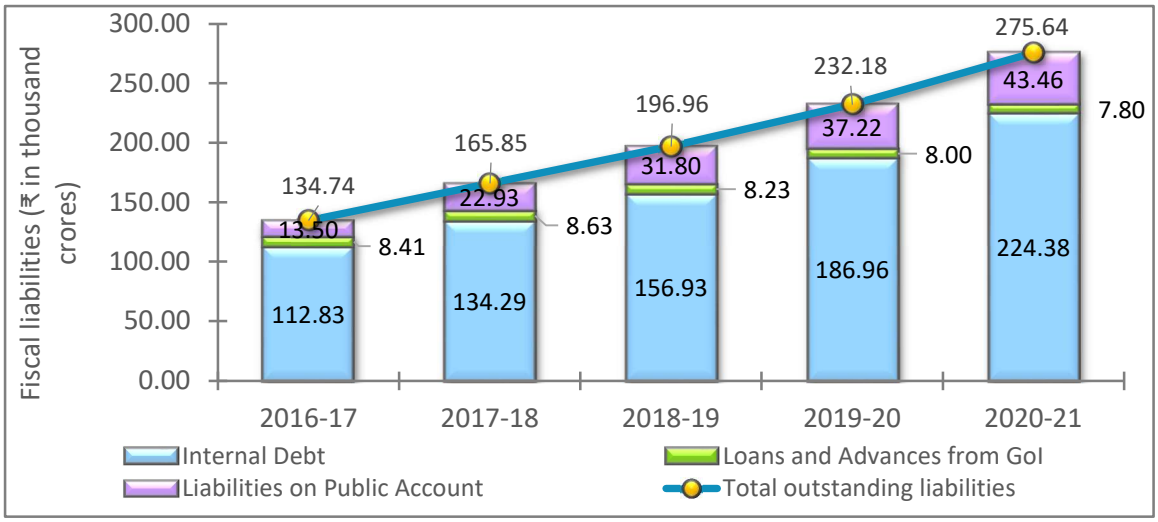


Source: Finance Accounts

The State's performance in respect of the three key fiscal parameters has shown a steep decline during the past two years.

The trend of fiscal liabilities during the five year period 2016-17 to 2020-21 is shown in ***Chart 1.9***.

Chart 1.9: Trend of Fiscal Liabilities



Source: Finance Accounts

Note : The figures of ₹275.64 thousand crore and ₹7.80 thousand crore excludes ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall. The debt servicing of this loan would be done from the collection of cess in the GST compensation Fund and hence, repayment obligation will not be on the other resources of State

Total Outstanding Liabilities have more than doubled (104.57 *per cent*) from 2016-17 to 2020-21. Contributing to the increase is Internal Debt (98.87 *per cent* increase from 2016-17 to 2020-21) and Liabilities on Public Account (221.93 *per cent* increase from 2016-17 to 2020-21). Loans and Advances from Government of India have decreased by 7.25 *per cent* in 2020-21.

1.7 Deficits and Total Debt after examination in Audit

1.7.1 Deficits after examination in Audit

Misclassification of revenue expenditure as capital and *vice versa*, off budget fiscal operations, deferment of firm liabilities, non-deposit of mandatory amounts to National Pension System (NPS), etc. impact deficit parameters. In order to arrive at actual deficit figures, the impact has been re-computed as detailed in ***Table 1.8***.

Table 1.8: Revenue and Fiscal Deficits after examination in Audit

(₹ in crore)

Particulars	Impact on Revenue Deficit (Understated (+) / overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)	Para Reference
Non discharge of Interest liabilities[12]	213.24	213.24	***4.3***
Short contribution to National Pension System (NPS)	1.11	1.11	***2.5.2.3***
Misclassification			
(i) Revenue classified as Capital[13]	377.26	--	***3.4.9.1 and 3.4.9.2***
(ii) Capital classified as Revenue[14]	(-)46.98	--	***3.4.9.3***
Total	**544.63**	**214.35**	

Source: Finance Accounts and audit analysis

As a result, the Revenue and Fiscal Deficits were understated by ₹544.63 crore and ₹214.35 crore respectively.

Effectively, therefore, there was a Revenue Deficit of ₹22,842.63 crore (₹22,298 crore + ₹544.63 crore) and Fiscal Deficit of ₹49,252.35 crore (₹49,038 crore + ₹214.35 crore). The effective Fiscal Deficit of the State was 5.02 *per cent* of GSDP.

Apart from its liabilities of ₹2,75,638 crore (excluding back-to-back loans in lieu of GST compensation to be serviced out of GST compensation Cess), the State Government is also liable to pay the principal and interest on account of its Off-Budget Borrowings (OBB) to an extent of ₹97,940.45 crore (refer ***paragraph 2.7.2*** for further details). Considering that the OBB and other liabilities are to be serviced out of the State Budget, the ratio of Debt to GSDP would be 38.10 *per cent*, which is 13.10 *per cent* higher than the target of 25 *per cent* as per the TSFRBM Act. This is also 8.60 *per cent* higher than the norm of 29.50 *per cent* prescribed by the XV Finance Commission.

The Government replied (January 2022) that though it has extended Guarantees to various corporations to raise finances from Banks etc., for development expenditure, repayments are made from their accounts, and hence these cannot be considered as OBBs always for calculation of total outstanding liabilities of the State.

The reply is not acceptable as we have considered only those cases where payment of interest or repayment of principal was done from out of the Government resources only.

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[12] (i) State Compensatory Afforestation Fund: ₹135.42 crore (***paragraph 4.3***); (ii) State Disaster Response Fund: ₹58.66 crore (***paragraph 4.3***); (iii) Defined Contribution Pension Scheme for Government Employees: ₹19.16 crore (***paragraph 4.3***)

[13] (i) Treatment of payment of semi-annual interest on Andhra Pradesh Power Finance Corporation Bonds as loans: ₹375.31 crore (***paragraph 3.4.9.1***); (ii) Purchase of surgical consumables treated as Capital Expenditure: ₹1.50 crore (***paragraph 3.4.9.2***); (iii) Grants-in-Aid booked under Capital section instead of Revenue: ₹0.45 crore (***paragraph 3.4.9.2***)

[14] (i) Purchase of Motor Vehicles: ₹3.22 crore; (ii) Purchase of Machinery and Equipment: ₹36.08 crore; (iii) Tools and Plants: ₹7.68 crore (***paragraph 3.4.9.3***)

Chapter 2

Finances of the State

Chapter 2 Finances of the State

2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in key fiscal aggregates relative to preceding years, overall trends during the five-year period 2016-17 to 2020-21, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the Government of Telangana.

2.2 Major changes in Key fiscal aggregates vis-à-vis 2019-20

A bird's eye view of major changes in key fiscal aggregates of the State during 2020-21, compared to the preceding year is given in ***Table 2.1***.

Table 2.1: Changes in key Fiscal Aggregates in 2020-21 compared to 2019-20

Revenue Receipts	➢ **Revenue Receipts of the State decreased by 1.59 *per cent*** ➢ **Own Tax receipts of the State decreased by 1.40 *per cent*** ➢ **Own Non-tax receipts decreased by 17.11 *per cent*** ➢ **State's Share of Union Taxes and Duties decreased by 20.62 *per cent*** ➢ **Grants-in-Aid from Government of India increased by 33.38 *per cent***
Revenue Expenditure	➢ **Revenue Expenditure increased by 13.25 *per cent*** ➢ **Revenue Expenditure on General Services increased by 8.33 *per cent*** ➢ **Revenue Expenditure on Social Services increased by 5.60 *per cent*** ➢ **Revenue Expenditure on Economic Services increased by 33.22 *per cent*** ➢ **No Expenditure on Grants-in-Aid in both the years**
Capital Expenditure	➢ **Capital Expenditure decreased by 5.56 *per cent*** ➢ **Capital Expenditure on General Services increased by 20.78 *per cent*** ➢ **Capital Expenditure on Social Services increased by 21.64 *per cent*** ➢ **Capital Expenditure on Economic Services decreased by 10.06 *per cent***
Loans and Advances	➢ **Disbursement of Loans and Advances increased by 24.92 *per cent*** ➢ **Recoveries of Loans and Advances decreased by 6.45 *per cent***
Public Debt	➢ **Public Debt Receipts increased by 54.35 *per cent*** ➢ **Repayment of Public Debt increased by 68.32 *per cent***
Public Account	➢ **Public Account Receipts decreased by 13.18 *per cent*** ➢ **Disbursement of Public Account decreased by 13.96 *per cent***
Cash Balance	➢ **Cash Balance decreased by ₹2,903 crore (24 *per cent*) during 2020-21 compared to previous year**

Source: Finance Accounts

As can be seen from the above, on one hand Revenue Receipts have decreased while Revenue Expenditure has gone up tremendously.

2.3 Sources and Application of Funds

Comparison of the components of the sources and application of funds of the State during 2020-21 with those of the preceding year is shown in ***Table 2.2***.

Table 2.2: Sources and Application of funds during 2019-20 and 2020-21

(₹ in crore)

	Particulars	2019-20	2020-21	Increase / Decrease
Sources	Opening Cash Balance with Reserve Bank of India#	7,218	12,096	4,878
	Revenue Receipts	1,02,544	1,00,914	(-)1,630
	Recoveries of Loans and Advances	62	58	(-) 4
	Public Debt Receipts (Net)	29,793	39,595	9,802
	Public Account Receipts (Net)	6,846	6,536	(-)310
	Total	**1,46,463**	**1,59,199**	**12,736**
Application	Revenue Expenditure	1,08,798	1,23,212	14,414
	Capital Expenditure	16,859	15,922	(-) 937
	Disbursement of Loans and Advances	8,700	10,868	2,168
	Inter-State Settlement	8	8	0
	Net Contingency Fund	2	**(-)4**	(-)6
	Closing Cash Balance with Reserve Bank of India#	12,096	9,193	(-)2,903
	Total	**1,46,463**	**1,59,199**	**12,736**

Source: Finance Accounts

Cash balance with Reserve Bank of India consists of cash balance investments and investments in earmarked funds including Sinking Fund and Guarantee Redemption Fund

The composition of State's resources and application of those resources in terms of *percentages* is presented in the ***Chart 2.1*** and ***Chart 2.2*** below:

Chart 2.1: Composition of Resources

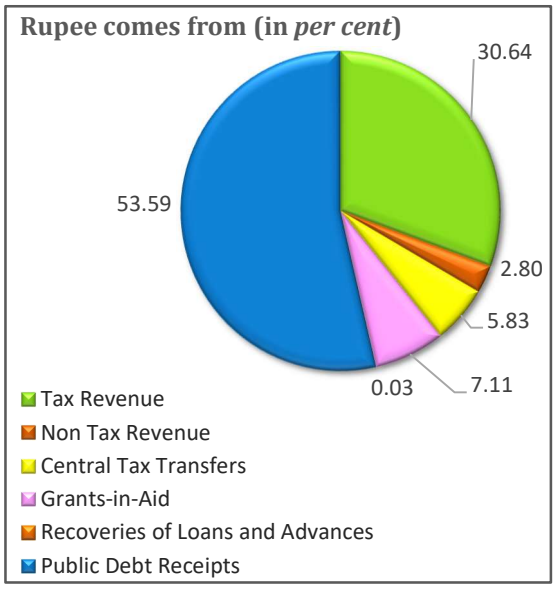
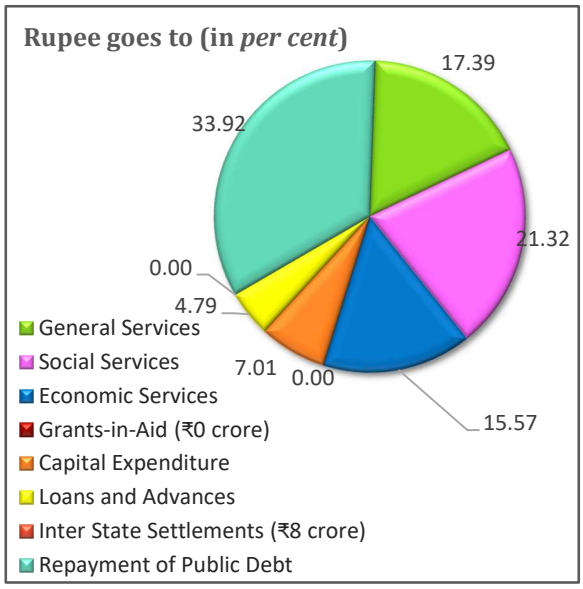


Chart 2.2: Application of Resources



Source: Finance Accounts

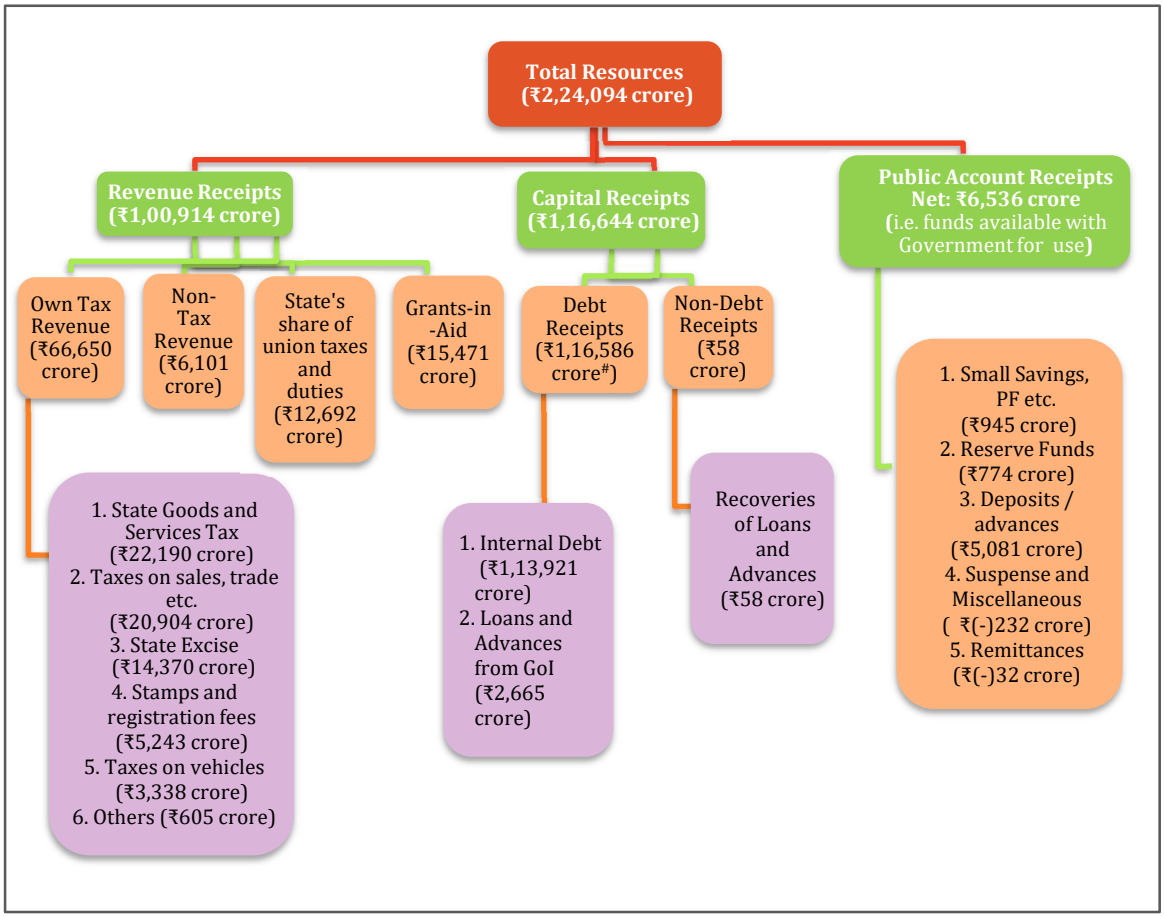
Public Debt receipts formed the major portion (53.59 *per cent)* of the resources of the State Government, which is more than half of the resources, followed by Tax Revenue.

The higher dependency on borrowings indicates Government resorted to raise public debt (which burdens the future generation) instead of exploring other resources. More than one fourth of the State's disbursements were on repayment of Public Debt followed by Social services.

2.4 Resources of the State

Chart 2.3 depicts the composition of resources of the State during 2020-21.

Chart 2.3: Composition of Receipts of the State during 2020-21



Source: Finance Accounts

Total Resources of the State during 2020-21 were ₹2,24,094 crore. As depicted in ***Table 2.1***, Revenue Receipts decreased by 1.59 *per cent* during 2020-21 over the preceding year. Out of the total Revenue Receipts of ₹1,00,914 crore, States Own Receipts (₹72,751 crore) comprising Own Tax Revenue and Non-Tax Revenue constituted 72.09 *per cent*.

We observed that Revenue Receipts were affected by decrease under Corporation Tax, Stamps and Registration, State Goods and Services Tax under Tax Revenue as well as Miscellaneous General Services on account of less receipts from sale of land and property under Non-Tax Revenue.

2.4.1 State's Revenue Receipts

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The trends and growth of Revenue Receipts as well as Revenue buoyancy with respect to Gross State Domestic Product during the five-year period 2016-21 are shown in ***Table 2.3***.

Table 2.3: Trend in Revenue Receipts

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (₹ in crore)	82,818	88,824	1,01,420	1,02,544	1,00,914
Rate of growth of Revenue Receipts (*per cent*)	8.78	7.25	14.18	1.11	(-)1.59
Own Tax Revenue (₹ in crore)	48,408	56,520	64,674	67,597	66,650
Non-Tax Revenue (₹ in crore)	9,782	7,825	10,007	7,360	6,101
Total Own Revenue (₹ in crore)	58,190	64,345	74,681	74,957	72,751
Rate of growth of Own Revenue (Own Tax and Non-Tax Revenue) (*per cent*)	6.99	10.58	16.06	0.37	(-)2.94
GSDP (₹ in crore) (2011-12 Series)	6,58,325	7,50,050	8,60,078	9,57,207	9,80,407
Rate of growth of GSDP (*per cent*)	13.92	13.93	14.67	11.29	2.42
Revenue Receipts / GSDP(*per cent*)	12.58	11.84	11.79	10.71	10.29
Buoyancy Ratios					
Revenue Buoyancy w.r.t GSDP (Rate of growth of Revenue Receipts in *per cent* / Rate of growth of GSDP in *per cent*)	0.63	0.52	0.97	0.10	(-)0.66
State's Own Revenue Buoyancy w.r.t GSDP (Rate of growth of Own Revenue in *per cent* / Rate of growth of GSDP in *per cent*)	0.50	0.76	1.10	0.03	(-)1.21

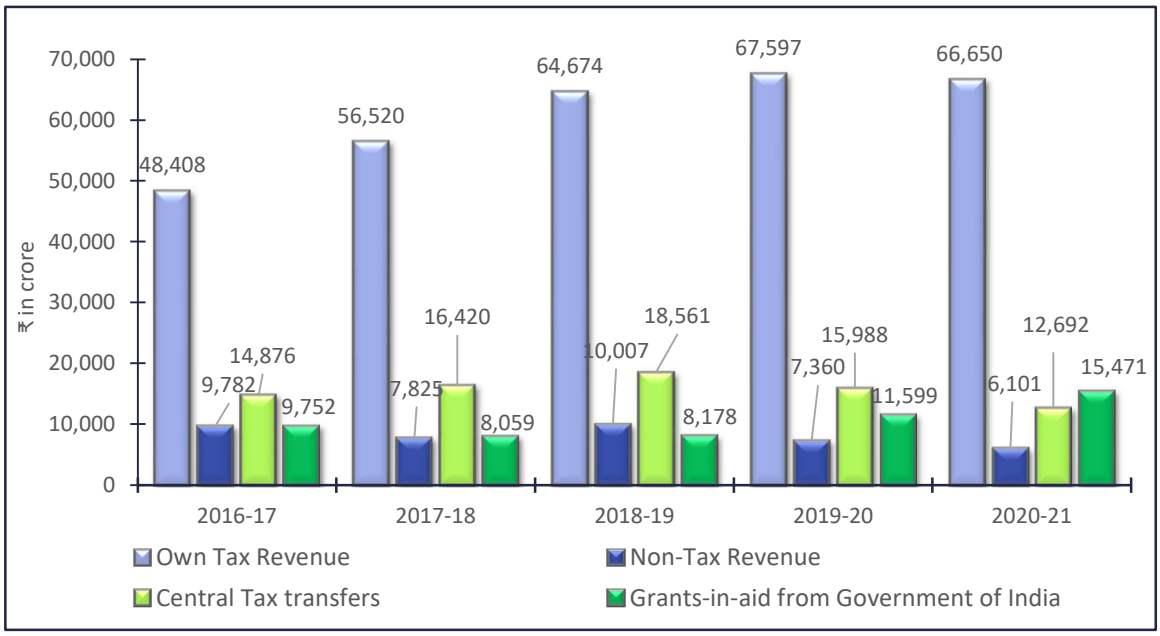
Source: Finance Accounts; for Gross State Domestic Product figures: Ministry of Statistics and Programme Implementation of respective years (figures as on 02 August 2021)

We observed the following from the above table:

- The growth rate of Revenue Receipts showed an inconsistent trend in the last four years, and was lowest in the current year. .
- State's Own Revenue (Own Tax and Non-Tax) decreased by 2.94 *per cent* and was significantly lower than the increase in Gross State Domestic Product (2.42 *per cent*). Particularly, revenues during the initial five months the year viz., up to August 2021, were lower presumably due to Covid-19 Pandemic and full/partial lockdown.
- Both Revenue buoyancy and State's own revenue buoyancy (with respect to GSDP) in 2020-21 deteriorated and were the lowest in last five years, with the State's own revenue buoyancy being lesser than the overall revenue buoyancy (with respect to GSDP). However, the year 2020-21 being an exceptional year impacted by Covid - 19 Pandemic, the Revenue Buoyancy may not reflect true fiscal situation. Growth in own tax revenue/revenue receipts being negative for the State, will make the ratio also negative.

Trend of composition of Revenue Receipts for the period 2016-21 are given in ***Chart 2.4***.

Chart 2.4: Trend of composition of Revenue Receipts during 2016-21



Source: Finance Accounts

State's Own Tax Revenue, which was growing year-on-year during the last four years, has declined marginally in 2020-21. Non-Tax Revenue and Central Tax transfers have decreased in comparison to the preceding year and were lowest during the five-year period. Grants-in-Aid from Government of India, on the other hand, have increased considerably by 33.38 *per cent* over the previous year.

2.4.1.1 State's own resources

State's share in Central taxes is determined based on recommendations of the Finance Commission. Grant-in-Aid from Central Government is determined by the quantum of collection of Central Tax receipts and anticipated Central assistance for schemes. State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its Own Tax and Non-Tax sources.

(i) Own Tax Revenue

Own Tax Revenues of the State consist of State Goods and Services Tax, State Excise, Taxes on vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, etc.

During 2020-21, State's Own Tax Revenue (₹66,650 crore) constituted 66.05 *per cent* of total Revenue Receipts (₹1,00,914 crore). Own Tax Revenue had decreased marginally by 1.40 *per cent* (₹947 crore) over the previous year. As a *percentage* of Gross State Domestic Product, it declined to 6.80 *per cent* in 2020-21 over the previous year (7.06 *per cent*).

During the current year, major contributors of Own Tax Revenue were State Goods and Services Tax (33.29 *per cent*), Taxes on Sales, Trades etc., (31.36 *per cent*) and State Excise (21.56 *per cent*). Component wise details of State's Own Tax Revenue collected during 2016-21 are detailed in ***Table 2.4***.

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Taxes on Sales, Trade, etc.	34,235	25,107	20,291	20,674	20,904	
State Goods and Services Tax	---	13,073	23,840	23,517	22,190	
State Excise	5,581	9,421	10,638	11,992	14,370	
Taxes on Vehicles	3,394	3,590	3,762	3,935	3,338	
Stamps Duty and Registration fees	3,822	4,202	5,344	6,671	5,243	
Land Revenue	7	4	0.42	1	1	
Taxes on goods and passengers	11	88	189	62	19	
Other Taxes	1,358	1,035	610	745	585	
Total	48,408	56,520	64,674	67,597	66,650	

Source: Finance Accounts

State Excise has been consistently increasing year on year. The increase in State Excise during 2020-21 was mainly due to increase (₹2,882 crore) in receipts from 'Foreign Liquors and Spirits'.

Taxes on Vehicles, Stamp duty and Registration Fees which were increasing till 2019-20, decreased in 2020-21. Taxes on Sales, Trade etc increased marginally in 2020-21 over 2019-20, while State Goods and Services Tax decreased marginally. Land Revenue remained same as that of last year. Other taxes and Taxes on goods and passengers declined considerably due to decrease under 'taxes on immovable property other than agricultural land (₹147.45 crore)' and 'tax on entry on goods into local areas (₹42.50 crore)' respectively.

State Goods and Services Tax

State Government implemented the Telangana Goods and Services Tax Act with effect from 01 July 2017. The GST has four components: (i) GST receipts by the Centre (CGST); (ii) GST receipts by the State (SGST); SGST levied on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products[1]); (iii) Integrated GST (IGST)[2], a tax on inter-State supply of Goods or Services or both by the Central Government; and (iv) GST Compensation Cess[3].

The receipts of Telangana in 2020-21 under above components are as below:

a) ***CGST***: The State received ₹3,715.08 crore as share of net proceeds assigned to States under CGST during the year 2020-21.

b) ***SGST*:** The total receipts of SGST were ₹22,190.34 crore during the year 2020-21,

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

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

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

including apportionment of IGST (₹1,451.64 crore) and advance apportionment of IGST (₹1,528.47 crore).

c) ***IGST***: State has not received any amount during the years 2019-20 and 2020-21.

d) ***GST Compensation***: According to GST (Compensation to the States) Act, 2017, the Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The Compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. The protected revenue for any year of a State shall be calculated by applying the projected growth rate of 14 *per cent* per annum over the base year (2015-16) revenue of the State.

The revenue of Telangana in the base year (2015-16) was ₹16,109 crore. Accordingly, the Protected Revenue for the year 2020-21 was ₹31,016.50 crore[4].

The State received ₹22,190.34 crore as SGST. The Pre-GST collected as taxes subsumed under SGST during the year was ₹3,270.11 crore[5]. Since, the total collection (₹25,460.45 crore) of the State under SGST was less than the protected revenue (₹31,016.50 crore) for the year 2020-21, ₹5,556.05 crore was due as GST compensation. An amount of ₹3,103.07 crore was received during 2020-21 as Grants-in-Aid under 'Compensation for loss of Revenue arising out of implementation of GST'. Apart from this, Government of India has provided ₹2,380 crore to Telangana as 'back to back loan in lieu of GST Compensation shortfall', which would be serviced from out of the GST Compensation Cess by the Central Government. Compensation amount of ₹72.98 crore was yet to be received for the current year (as of 31 March 2021).

Since 2017-18, an amount of ₹5,535.23 crore[6] was received in the form of Grants-in-Aid and ₹2,380 crore as back-to-back loans in lieu of GST compensation as against the receivable amount of ₹8,395.29 crore[7] (provisional). Compensation amount of ₹480.06 crore was yet (March 2021) to be received from Central Government .

(ii) Non-Tax Revenue

Non-Tax Revenue refers to income of the State Government generated from sources other than taxation, such as receipts from medical, police, social and community services rendered and supplies made by various Departments of Government, like mining receipts, departmental receipts apart from interest receipts, dividends and profits, etc.

During 2020-21, State's own Non-Tax Revenue (₹6,101 crore) was six *per cent* of total Revenue Receipts (₹1,00,914 crore). It decreased by ₹1,259 crore (17.11 *per cent*) in 2020-21 when compared to the previous year, which was mainly due to decrease in 'Other

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[4] Calculated at compounding increase of 14 *per cent* per annum for five years viz., 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 from the base year revenue of ₹16,109 crore (*i.e.*, ₹16,109 * 1.14 * 1.14 * 1.14 * 1.14 * 1.14 = ₹31,016.50 crore)

[5] Provisional figures

[6] (i) 2017-18:₹169.00 crore, (ii) 2019-20:₹2,263.16 crore, and (iii) 2020-21:₹3,103.07 crore

[7] 2019-20:₹2,839.24 crore, 2020-21:₹5,556.05 crore

Receipts' under Miscellaneous General Services and 'Other Rural Development Programmes'.

The component-wise details of Non-Tax Revenue collected during the years 2016-21 are shown in ***Table 2.5***.

Table 2.5: Components of State's Non-Tax Revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21	Sparkline
Interest Receipts	1,791	116	60	18	34	
Dividends and Profits	70	101	94	115	94	
Other Non-Tax Receipts	7,921	7,608	9,853	7,227	5,973	
(a) Major and Medium Irrigation	29	1,527	36	31	18	
(b) Roads and Bridges	31	17	34	46	24	
(c) Urban development	1	28	9	21	7	
(d) Education	768	336	318	367	614	
(e) Non-ferrous mining	3,148	3,593	4,647	3,487	3,457	
(f) Others or Miscellaneous	3,944	2,107	4,809	3,275	1,853	
Total	9,782	7,825	10,007	7,360	6,101	

Source: Finance Accounts

- Most of the components of Non-Tax Revenue have been wavering during the past five years.
- Receipts from 'Others or Miscellaneous' have decreased during 2020-21. Revenue under 'Others or Miscellaneous' component of Miscellaneous General Services decreased by 41.94 *per cent* during the year primarily due to decrease in (*i*) Sale of Land and Property by 97.66 *per cent* (from ₹415.59 crore in 2019-20 to ₹9.74 crore in 2020-21) and (*ii*) Other Receipts by 31.96 *per cent* (from ₹1,764.48 crore in 2019-20 to ₹1,200.51 crore in 2020-21).

Since the State Government has been classifying huge amounts of receipts as other receipts without any clear details, we could not analyse the reasons for decrease in the NTR (please refer to *paragraph 4.9* for further details).

Box 2.1 : Receipts on account of Donations, contributions etc., towards Covid - 19 Pandemic

Government informed[8] Secretary and Chief Executive Officer (CEO), Telangana Building and Other Construction Workers Welfare Board (TBOCWWB, an autonomous body) that the Commissioner, Civil Supplies spent an amount of ₹334.94 crore, towards providing ₹500 to labourers as cash and 12 kilogram of rice as a part of relief, mostly for Building and other construction workers, who were affected by Covid-19 Pandemic. The Government instructed (16 April 2020) the CEO to reimburse ₹334.94 crore as advance by crediting to State Disaster Response Fund (SDRF) under Reserve Funds in Public Account. Accordingly, CEO has remitted (17 April 2020) the amount to SDRF.

The Government again instructed[9] (22 April 2020) the CEO to deposit another ₹669.88 crore as advance towards the same purpose. The CEO remitted this amount also (28 April 2020) to SDRF. The remittance of total ₹1,004.82 crore was done by taking loans to a tune of ₹909 crore from Fixed Deposits and ₹95.82 crore from out of funds available in savings bank accounts.

We observed the following:

- As per section 22 of the Building and other construction workers' (regulation of employment and conditions of service) Act, 1996, the Board may grant loan or subsidy to a local authority or an employer in aid of any scheme approved by the State Government for the purpose connected with the welfare of building workers in any establishment. However, there is no provision in the Act, to provide Donations/ Grants/ Contribution to the State Government.
- The Government directed that the amount be credited to State Disaster Response Fund under Reserve Funds of Public Account instead of Loans and Advances/ Borrowings, though the memo mentioned the reimbursement as advance.
- After completion of the financial year 2020-21, the Government decided (June 2021) to transfer the amount, by book adjustment, from State Disaster Response Fund to its Revenue Receipts under Miscellaneous General Services by operating a new sub head "Grants, Donations, contributions received from Companies, Corporations, Bodies, Authorities and other Institutions to meet expenditure on pandemics". Thus, in effect, the State Government received ₹1,004.82 crore, initially as Advance from TBOCWWB towards Covid-19 Pandemic related activities, and later converted it as Grants/ Contributions/ Donations i.e., as Revenue Receipts.
- Majority of the expenditure on Covid-19 Pandemic relief activities by the Government was through transferring funds (₹2,657.66 crore) to a Public Sector

[8] Memo No.1272/Lab.I/A1/2020 dated 16.4.2020 for ₹334.94 crore of Labour, Employment, Training and Factories (LAB.I) Department

[9] Memo No. Memo No.1272/Lab.I /A1/2020-2 dated 22.4.2020 for ₹669.88 crore of Labour, Employment, Training and Factories (LAB.I) Department

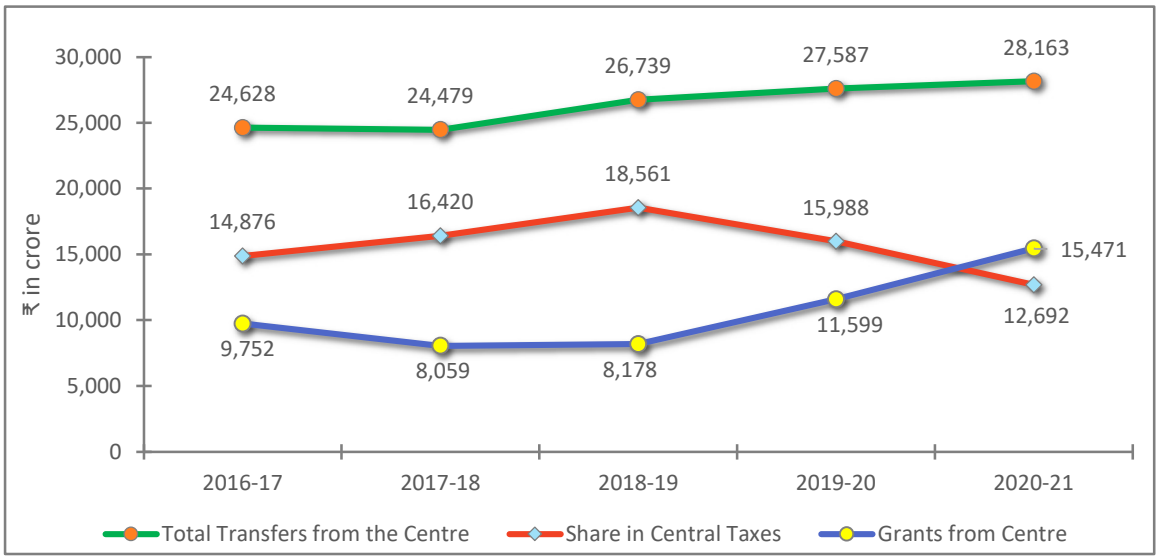
Undertaking i.e., Telangana State Civil Supplies Corporation. The same was booked as Revenue Expenditure. As an amount of ₹1,004.82 crore was received from TBOCWWB for the above purpose, the same should have been booked as reduction of expenditure, instead of as a Revenue Receipt. This resulted in boosting of both Revenue Receipts and Revenue Expenditure to an extent of ₹1,004.82 crore.

The Government replied (November 2021) that booking ₹1,004.82 crore as reduction of expenditure would result in showing less expenditure on Covid-19 Pandemic and would not reflect actual expenditure. The reply is not acceptable as the amounts that was spent was not from the Government funds, but in view of the urgency, it facilitated transfer of funds to Telangana Civil Supplies Corporation from TBOCWWB, which is vested with responsibility of taking up welfare activities for building and other construction workers.

2.4.1.2 Devolution of Central Taxes and Grants from the Centre

Trends of total transfers, share in central taxes and Grants-in-Aid from Centre for the period 2016-21 are shown in ***Chart 2.5***.

Chart 2.5: Trends in transfers from Government of India



Source: Finance Accounts

While share in central share taxes is decreasing during the past three years, the Grants-in-Aid have been increasing on the other hand. Apart from this, more Grants-in-Aid are being released directly by the Government of India, to the implementing agencies instead of routing through Consolidated Fund of State Government (***refer to paragraph 4.4 for details)***. The tax devolution and Grants-in-Aid are discussed in the following paragraphs:

(i) Central Tax transfers

The Fifteenth Finance Commission in its Report for the year 2020-21 chose to keep net proceeds of Union taxes to be devolved to the States (i.e., divisible pool) at the same level of 42 *per cent* as recommended by earlier Fourteenth Finance Commission. However,

taking into account the re-organisation of erstwhile Jammu and Kashmir State in to Union Territories of Ladakh and Jammu & Kashmir and since Union Territories are the responsibilities of the Union Government and are within the purview of Union Budget, the Fifteenth Finance Commission recommended that the aggregate share of States be reduced by one *per cent* to 41 *per cent* of the divisible pool. It also took into account various other factors like population, area, forest and ecology, income distance criteria, demographic performance, tax efforts of the State.

Consequently, the Fifteenth Finance Commission allocated 2.133 *per cent* of the total divisible pool as *inter se* share of Telangana. Based upon the projected tax revenue of the Union Government and the shares derived from the horizontal devolution formula, Fifteenth Finance Commission has derived the share of each State in absolute numbers. This has been used to derive the post-devolution revenue deficit/surplus for States. Accordingly, based on the total projected tax devolution of ₹8,55,176 crore, Fifteenth Finance Commission projected that the Telangana would have a pre-devolution Revenue Surplus of ₹7,735 crore and hence recommended a tax devolution of ₹18,241 crore (being 2.133 *per cent* of ₹8,55,176 crore) to Telangana in 2020-21.

Actual devolution of State's share in Union taxes and duties vis-à-vis Fourteenth Finance Commission and Fifteenth Finance Commission projections for the period 2016-21 are shown in ***Table 2.6***.

Table 2.6: State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (=4-3)
2016-17	As per XIV Finance Commission	16,370	14,876	(-)1,494
2017-18		18,916	16,420	(-)2,496
2018-19		21,885	18,561	(-)3,324
2019-20		25,350	15,988	(-)9,362
	As per XV Finance Commission	18,241	12,692	(-)5,549

Source: Finance Accounts

The component-wise Central Tax transfers to the State during 2016-17 to 2020-21 are given in ***Table 2.7***.

Table 2.7: Central Tax Transfers

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax (CGST)	--	231	4,581	4,537	3,715
Integrated Goods and Services Tax (IGST)	--	1,657	366	--	…
Corporation Tax	4,763	5,027	6,454	5,451	3,865
Taxes on Income other than Corporation Tax	3,310	4,245	4,753	4,271	3,967
Customs	2,049	1,657	1,315	1,013	649
Union Excise Duties	2,340	1,731	874	705	422
Service Tax	2,404	1,872	172	--	63
Other Taxes[10]	10	0	46	10	11
Central Tax transfers	**14,876**	**16,420**	**18,561**	**15,988**	**12,692**
Percentage of increase over previous year	20.44	10.38	13.04	(-)13.86	(-)20.62
Percentage of Central tax transfers to Revenue Receipts	17.96	18.49	18.30	15.59	12.58

Source: Finance Accounts

During the current year, Central Tax transfers as a *percentage* of Revenue Receipts of the State decreased by 3.01 *percentage* points (₹3,296 crore) compared to 2019-20 due to decrease in all the components of Central Taxes.

(ii) Grants-in-Aid from Government of India

The details of Grants-in-aid received from Government of India during 2016-21 are detailed in ***Table 2.8***.

Table 2.8: Grants-in-Aid from Government of India

(₹ in crore)

Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants	3,057	--	--	--	…
Grants for State Plan Schemes	6,695	--	--	--	…
Grants for Centrally Sponsored Schemes	--	6,108	5,508	5,729	5,805
Finance Commission Grants	--	1,168	1,806	3,219	3,135
Other transfers/Grants to States	--	783	864	2,651	6,531
Total	**9,752**	**8,059**	**8,178**	**11,599**	**15,471**
Percentage of increase / decrease over the previous year	*3.81*	*(-)17.36*	*1.48*	*41.83*	*33.38*
Percentage of Grants in Aid to Revenue Receipts	*11.78*	*9.07*	*8.06*	*11.31*	*15.33*

Source: Finance Accounts

- Grants-in-Aid from Government of India increased by ₹3,872 crore (33.38 *per cent*) in 2020-21 compared to the previous year and constituted 15.33 *per cent* of Revenue Receipts (₹1,00,914 crore) during the year (an increase of four *per cent* over 2019-20). Grants for Centrally Sponsored Schemes (₹5,805 crore) constituted 37.52 *per cent* of total grants.

[10] include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services

- Grants-in-Aid (GIA) of ₹15,471 crore includes GIA towards compensation for loss of revenue arising out of implementation of GST ₹3,103 crore and the remaining GIA is towards other purposes.

- Apart from Compensation for loss of revenue arising out of implementation of GST (₹3,103 crore), major GIA include Grants to cover gap in resources (₹2,638 crore), Special Assistance (₹511 crore) and Grants-in-Aid for creation of Capital assets (₹450 crore). GST compensation increased in comparison to previous year by ₹840 crore. There were no receipts under Grants to cover gap in resources and Grants-in-Aid for creation of Capital assets during the previous year.

- The Fifteenth Finance Commission noted that 14 States (excluding Telangana) would have a post-devolution Revenue Deficit and hence recommended Revenue Deficit Grants to such States. However, it also noted that the sum of tax devolution is projected to decline from 2019-20 to 2020-21 for three States, viz., Karnataka, Mizoram and Telangana. To make up for this short fall the Fifteenth Finance Commission recommended a Special Grant of ₹723 crore to Telangana for the year 2020-21. The State did not receive such Special Grant during the year.

  However, the Union Government while considering the report of XV Finance Commission for the year 2020-21 has requested (December 2019) the XV FC to reconsider the recommendation as it introduces a new principle. However, in the final report for the years 2021-26 of the XV FC this item was not mentioned. Hence, it was not clear on how the shortfall or decline was to be dealt with.

- In view of the impact of malnutrition on early education, the Fifteenth Finance Commission has recommended additional grants for nutrition for States for the year 2020-21. It clarified that these Grants were not to be substituted for either State share or Union share, but are additional. The first instalment was to be released in May 2020 and the second instalment was to be released after effective utilisation of the first instalment. The Fifteenth Finance Commission recommended an amount of ₹171 crore as Grants for Nutrition to Telangana. The State did not receive such Grants for Nutrition during the year.

  However, the Union Government while considering the report of XV Finance Commission for the year 2020-21 has requested (December 2019) the XV FC to review the recommendation as a part of its overall proposal of measurable performance based incentives for States as per the Terms of Reference in the main Report.

  In the final report the XV FC has reiterated these grants be given, albeit, as part of Integrated Child Development Scheme (ICDS). In fact, the Grants-in-Aid has decreased to ₹406.60 crore in 2020-21 from ₹547.22 crore in 2019-20 and ₹550.99 crore in 2018-19 towards ICDS.

- The Fifteenth Finance Commission recommended an amount of ₹50 crore each to Hyderabad, Bengaluru, Ahmedabad and Pune for reducing the risk of urban flooding in view of regular incidence of flooding and heavy losses. The accounts did not depict receipt of such Grants during the year.

- The Fifteenth Finance Commission recommended an amount of ₹20 crore each for 'Catalytic assistance for preparing district level drought mitigation plans' to 12 States, including Telangana for developing long-term district level drought mitigation plans to address the challenges posed by successive droughts. The accounts did not depict receipt of such Grants during the year.

On the whole, the State did not receive specific grants amounting to ₹964 crore recommended by XV Finance Commission. The State Government confirmed (November 2021) that the Government of India has not released the above grants.

2.4.2 Capital Receipts

Capital Receipts comprise miscellaneous Capital Receipts such as proceeds from Disinvestments, recoveries of Loans and Advances, Public Debt Receipts from internal sources (Market Loans, Borrowings from Financial institutions / Commercial Banks) and Loans and Advances from Government of India. ***Table 2.9*** shows the trends in growth and composition of capital receipts.

Table 2.9: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	**29,407**	**21,820**	**22,312**	**29,855**	**39,654**
Miscellaneous Capital Receipts	--	--	--	--	…
Recovery of Loans and Advances	156	138	66	62	58
Net Public Debt Receipts#	**29,251**	**21,682**	**22,246**	**29,793**	**39,595**
Internal Debt	*29,058*	21,458	22,646	30,025	37,420
Growth rate of Internal Debt	*109.31*	(-)*26.15*	*5.54*	*32.58*	24.63
Loans and Advances from GoI	*193*	224	(-)400	(-)232	2,175$
Growth rate of Loans and Advances from GoI	(-)*74.94*	*16.06*	(-)*278.57*	(-)*42.00*	1,037.50
Rate of growth of debt Capital Receipts	99.62	(-)25.88	2.60	33.93	32.90
Rate of growth of non-debt capital receipts	77.27	(-)11.54	(-)52.17	(-)6.06	(-)6.45
Rate of growth of Gross State Domestic Product	13.92	13.93	14.67	11.29	2.42
Rate of growth of Capital Receipts (*per cent*)	99.49	(-)25.80	2.25	33.81	32.82

Source: Finance Accounts; Gross State Domestic Product – Source: Ministry of Statistics and Programme Implementation(figures as on 02 August 2021)

\# *excludes Ways and Means Advances of ₹12,088 crore, ₹22,922 crore, ₹21,823 crore, ₹37,248 crore and ₹69,454 crore for 2016-17, 2017-18,2018-19, 2019-20 and 2020-21 respectively*

$ *This is the net figure of Receipts of ₹2,665 crore (including ₹2,380 crore back-to-back loans in lieu of GST compensation shortfall, which need not be repaid by the State Government) and repayments of ₹490 crore to GoI*

Public Debt receipts, consisting of borrowings taken from Market, Financial Institutions and Central Government, which create future repayment obligation, constituted a major component of Capital Receipts (99.85 *per cent*). The sharp hike in Loans and Advances from GoI was due to receipt of ₹2,380 crore as 'back-to-back loan in lieu of GST Compensation shortfall'.

Net Capital Receipts increased by 32.82 *per cent* from ₹29,855 crore in previous year to ₹39,654 crore in 2020-21. Net Internal Debt (₹37,420 crore) increased by 24.63 *percentage* points during 2020-21 compared to 2019-20 (₹30,025 crore). These were significantly higher than the growth rate of Gross State Domestic Product (2.42 *per cent*) during 2020-21. Net increase in the Market loans was ₹38,782.39 crore.

2.4.3 State's performance in mobilisation of resources

Taking into consideration the fact that State's GST revenues are protected through guaranteed compensation by Union Government under an assured annualized 14 *per cent* growth set against aggregate of Gross State Domestic Product of 11 *per cent*, the Fifteenth Finance Commission considered the buoyancy at 1.27 for GST. However, considering that recent economic slowdown was affecting the tax collections from non-GST taxes, the tax buoyancy was arrived at as 1.16 (for both GST and non-GST taxes) for States. The Fifteenth Finance Commission also estimated that Non-Tax Revenue would keep pace with Gross State Domestic Product growth rates of each State. Accordingly, it assessed Own-Tax Revenue (OTR) as ₹87,129 crore and Non-Tax Revenue as ₹10,728 crore for Telangana for the year 2020-21.

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources, the estimates of which are made in the Budget. The Own Tax Revenue and Non-Tax Revenue projections by the Fifteenth Finance Commission and State Government in Budgets vis-à-vis actual performance in mobilisation of resources are shown below:

Table 2.10: Own Tax and Non-Tax Projections vis-à-vis actual receipts

(₹ in crore)

	Fifteenth Finance Commission projections	Budget Estimates	Actuals	*Percentage* variation of actual over	
				Budget estimates	Fifteenth Finance Commission projections
Own Tax Revenue	87,129	85,300	66,650	(-)21.86	(-)23.50
Non-Tax Revenue	10,728	30,600	6,101	(-)80.06	(-)43.13

Source: FFC projections, Budget Estimates and Finance Accounts

- Mobilisation of Own Tax Revenues was significantly below the projections made by Fifteenth Finance Commission and in the State's own Budget Estimates.
- Actual realisation of Non-Tax Revenue was only 19.94 *per cent* of the State's own estimates, while it was considerably lower than the projections of Fifteenth Finance Commission. Non-Tax Revenue could not meet budgetary projections primarily due to short realisation under 'Sale of Land and property', where the receipts were a paltry ₹9.74 crore as against Budget Estimates of ₹14,294 crore.

We observed that, except in 2017-18 and 2018-19, Budget Estimates in respect of Non-Tax Revenue have been consistently on higher side during the past five years.

The Government replied (January 2022) that the budget was prepared before onset of Covid-19 and the State Government was not in a position to factor it in the Budget Estimates beforehand. As GST is under the purview of GST council, the State was left with only one option for mobilising more funds through Sale of Land and Property (which was comparatively buoyant and not completely dependent on the prevailing economic situation).

2.5 Application of Resources

State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations and ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. The components of State expenditure are discussed in the following paragraphs.

2.5.1 Growth and composition of expenditure

Total Expenditure, its composition and relative share in Gross State Domestic Product during the years 2016-17 to 2020-21 is presented in ***Table 2.11***.

Table 2.11: Total Expenditure and its components

(₹ in crore)

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure	1,18,255	1,15,662	1,28,435	1,34,365	1,50,010
Revenue Expenditure	81,432	85,365	97,083	1,08,798	1,23,212
Capital Expenditure	33,371	23,902	22,641	16,859	15,922
Loans and Advances	3,402	6,209	8,706	8,700	10,868
Inter-State Settlement	50	186	5	8	8
As a *percentage* of Gross State Domestic Product					
Total Expenditure	17.96	15.42	14.93	14.04	15.30
Revenue Expenditure	12.37	11.38	11.29	11.37	12.57
Capital Expenditure	5.07	3.19	2.63	1.76	1.62
Loans and Advances	0.52	0.83	1.01	0.91	1.11

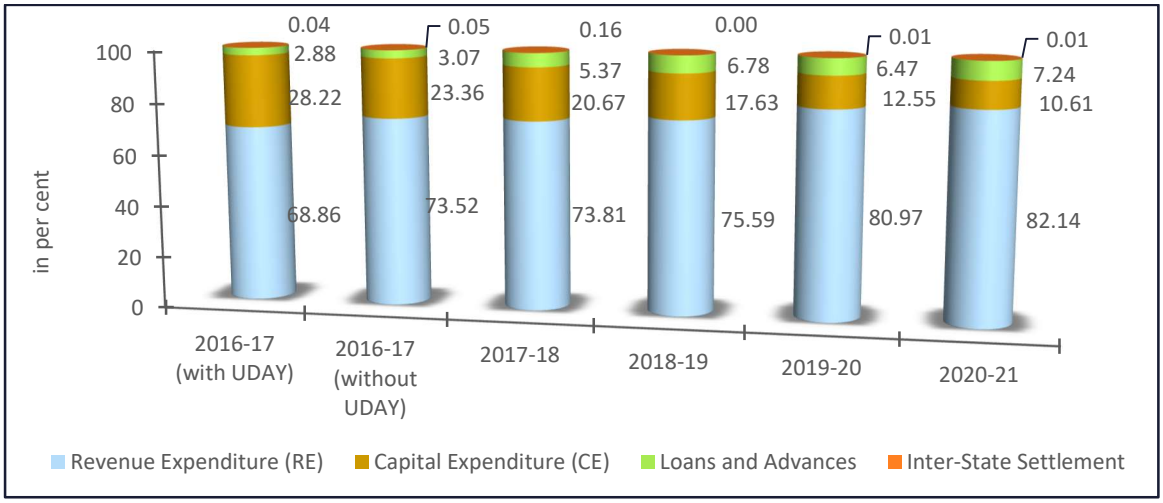
Source: Finance Accounts

Total Expenditure of the State increased by 27 *per cent* from ₹1,18,255 crore in 2016-17 to ₹1,50,010 crore in 2020-21 and by 12 *per cent* over preceding year.

Further, as a *percentage* of Gross State Domestic Product, the Total Expenditure has increased over previous two years, mainly on account of higher percentage of Revenue Expenditure and Net Loans and Advances given. Both the items (as a percentage of Gross State Domestic Product were highest in 2020-21 amongst the past five years. On the other hand, Capital Expenditure was lowest in 2020-21, in absolute terms as well as a percentage of Gross State Domestic Product.

Chart 2.6 depicts the trend of the share of components in Total Expenditure.

Chart 2.6: Trend of share of components in Total Expenditure



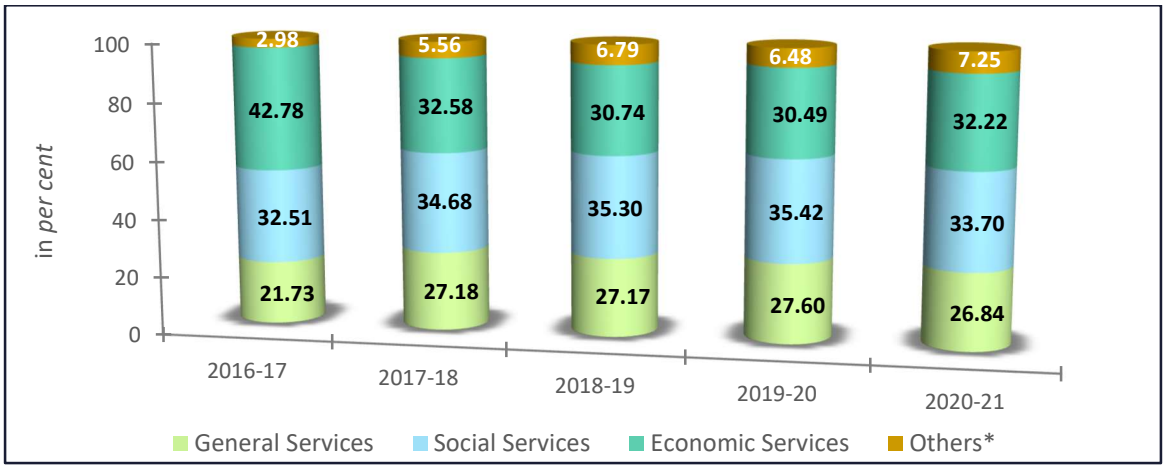
Source: Finance Accounts

Capital Expenditure, which was 23.36 *per cent* of Total Expenditure in 2016-17 has decreased by twelve *percentage* points to 10.61 *per cent* in 2020-21. Capital Expenditure decreased by nearly two *percentage* points in 2020-21 in comparison to previous year.

On the other hand, Revenue Expenditure increased by 8.62 *percentage* points from 73.52 *per cent* in 2016-17 to 82.14 *per cent* in 2020-21. Revenue Expenditure increased marginally by one *percentage* point in 2020-21 in comparison to previous year. Loans and Advances increased marginally by 0.77 *per cent* over the previous year.

In terms of activities, Total Expenditure comprises of expenditure on (i) General Services including Interest Payments, (ii) Social Services, (iii) Economic Services and (iv) Others (includes Grants to Local Bodies, Loans and Advances and Interstate Settlement). Trends in Expenditure by activities are shown in ***Chart 2.7***.

Chart 2.7: Trend of expenditure by activities during the past five years



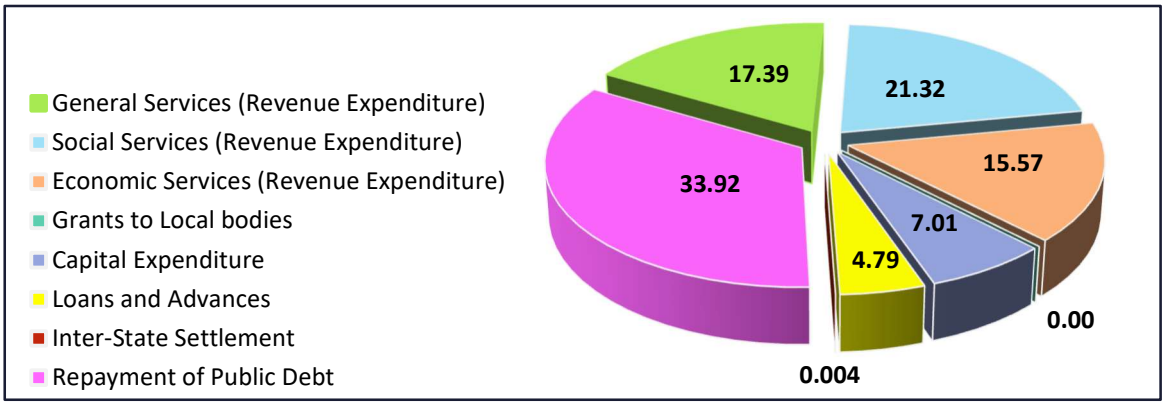
Source: Finance Accounts

** Others include Grants to Local Bodies, Loans and Advances and Inter-State Settlement*

The relative share of General Services and Social Services in the Total Expenditure marginally decreased during the year 2020-21 as compared to previous year.

Chart 2.8 depicts the composition of expenditure for the year 2020-21.

Chart 2.8: Composition of expenditure (in *per cent*) during 2020-21



Source: Finance Accounts

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis Gross State Domestic Product and Revenue Receipts is indicated in ***Table 2.12***.

Table 2.12: Revenue Expenditure – Basic Parameters

(₹ in crore)

Sl. No.	Parameter	2016-17	2017-18	2018-19	2019-20	2020-21
1	Total Expenditure	1,18,255	1,15,662	1,28,435	1,34,365	1,50,010
2	Revenue Expenditure	81,432	85,365	97,083	1,08,798	1,23,212
3	Rate of growth of Revenue Expenditure (*per cent*)	7.29	4.83	13.73	12.07	13.25
4	Revenue Expenditure as a *per cent* of Total Expenditure	68.86	73.81	75.59	80.97	82.14
5	Revenue Expenditure / Gross State Domestic Product in *per cent*	12.37	11.38	11.29	11.37	12.57
6	Revenue Expenditure as a *percentage* of Revenue Receipts	98.33	96.11	95.72	106.10	122.10
7	Rate of growth of Gross State Domestic Product (*per cent*)	13.92	13.93	14.67	11.29	2.42
8	Buoyancy of Revenue Expenditure with Gross State Domestic Product (ratio)	0.52	0.35	0.94	1.07	5.47
9	Rate of growth of Revenue Receipts (*per cent*)	8.78	7.25	14.18	1.11	(-)1.59
10	Buoyancy of Revenue Expenditure with Revenue Receipts (ratio)	0.83	0.67	0.97	10.87	(-)8.33

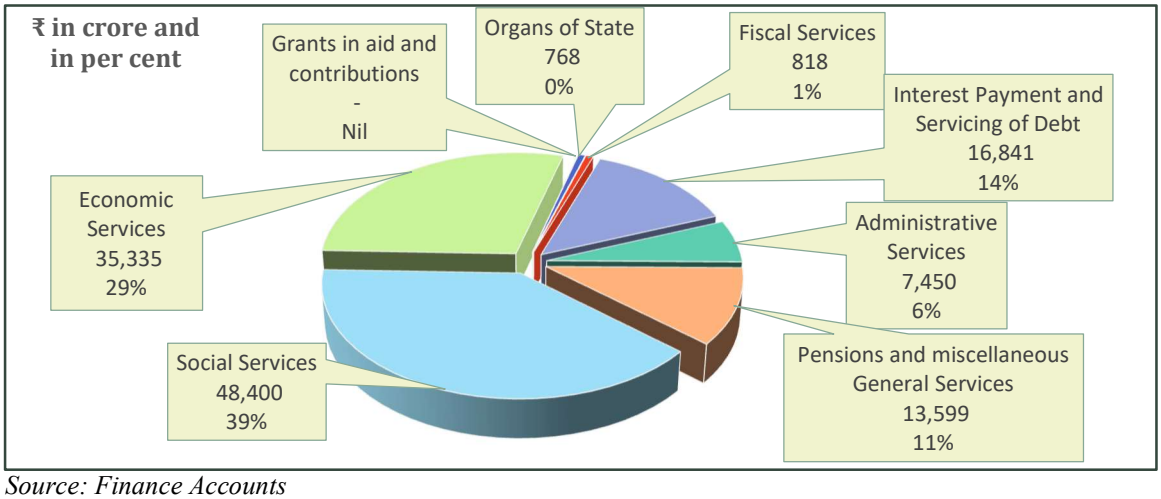
Source: Finance Accounts

- Buoyancy of Revenue Expenditure to Revenue Receipts was less than 'one' during the three years from 2016-17 to 2018-19. This indicated that Revenue Expenditure was growing at a slower pace than the Revenue Receipts. However, in the year 2019-20, the buoyancy of Revenue Expenditure to Revenue Receipts shot up to 10.87 suggesting

that growth rate of Revenue Expenditure was significantly higher than the growth rate of Revenue Receipts. The situation worsened in the year 2020-21 and dipped to negative, indicating that the Revenue Expenditure has increased even when the Revenue Receipts has shown negative growth. However, the year 2020-21 being an exceptional year impacted by Covid, the concept of Revenue Buoyancy may not reflect true fiscal situation. Growth in Revenue Receipts being negative for the State, will make the buoyancy ratio of Revenue Expenditure to Revenue Receipts negative.

Sectoral distribution of Revenue Expenditure pertaining to 2020-21 is given in ***Chart 2.9***.

Chart 2.9: Sector-wise distribution of Revenue Expenditure during 2020-21



Source: Finance Accounts

Major portion (39 *per cent*) of Revenue Expenditure was on Social Services, while nearly 32 *per cent* was on General Services like Administrative services, Pensions, Interest payments, etc.

2.5.2.1 Major changes in Revenue Expenditure

Variations under significant Heads of Account with regard to Revenue Expenditure of the State during the current year vis-à-vis the previous year is shown in ***Table 2.13***.

Table 2.13: Variation in Revenue Expenditure during 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Variation
Increase			
General Sector			
2049 - Interest Payments	14,386	16,841	2,455
Social Sector			
2245 - Relief on account of Natural Calamities	1,836	3,651	1,815
2217 - Urban Development	2,166	3,816	1,650
2515 - Other Rural Development Programmes	3,516	4,895	1,379
2211 - Family Welfare	1,987	2,441	454
2235 - Social Security and Welfare	9,847	10,292	445
Economic Sector			
2801 – Power	5,192	9,958	4,766
2401 - Crop Husbandry	13,112	16,761	3,649

Major Heads of Account	2019-20	2020-21	Variation
Decrease			
General Sector			
2015 – Elections	320	54	(-)266
2070 - Other Administrative Services	463	176	(-)287
Social Sector			
2225 - Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	9,853	8,824	(-)1,029
2236 – Nutrition	2,738	2,007	(-)731
2210 - Medical and Public Health	3,963	3,306	(-)657
Economic Sector			
2853 - Non-ferrous Mining and Metallurgical Industries	165	43	(-)122

Source: Finance Accounts

The increase of Revenue Expenditure over the preceding year was mainly under (i) Power, due to higher outgo (₹4,763 crore) under Assistance to TRANSCO for agriculture and allied subsidies, (ii) Crop Husbandry, due to higher outgo (₹3,431 crore) under Investment Support Scheme Rythu Bandhu, (iii) Interest Payments, due to higher interest payment (₹2,453 crore) on State Development Loans and (iv) Relief on account of Natural Calamities due to higher expenditure (₹1,864 crore) under Covid-19 Pandemic.

There was a decrease in Revenue Expenditure under (i) Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities, owing to decreased expenditure(₹179 crore) under Assistance to Telangana State Residential Educational Institutions Society for Residential High Schools-Cum-Junior Colleges for Backward Classes, (ii) Nutrition due to decreased expenditure (₹686 crore) under Subsidy on Rice and (iii) Medical and Public Health, due to decreased expenditure (₹150 crore) under Centralised purchase of Drugs and Medicines.

Our analysis of the data pertaining to the five-year period of 2016-21 revealed that major Revenue expenditure occurred on the following schemes / sub-heads:

Table 2.14: Major schemes / sub-heads where Revenue Expenditure was significant during the past five years

(₹ in crore)

Social Services		Economic Services	
Aasara Pension (including pensions to disabled, widows, weavers and toddy tappers and old age pensions)	32,716	Investment Support Scheme (Rythu Bandhu)	35,812
Teaching Grants to Mandal Praja Parishads	17,418	Assistance to Transco for agriculture and allied subsidies	27,574
Teaching Grants to Zilla Praja Parishads	16,455	Scheme for Debt Relief	8,535
Subsidy on Rice (Human Resources Development)	10,094		

Source: Finance Accounts of last five years

The trend of major expenditure items under Revenue in Social and Economic Sector is shown below:

Chart 2.10: Trend of Major expenditure items under Revenue in Social Sector

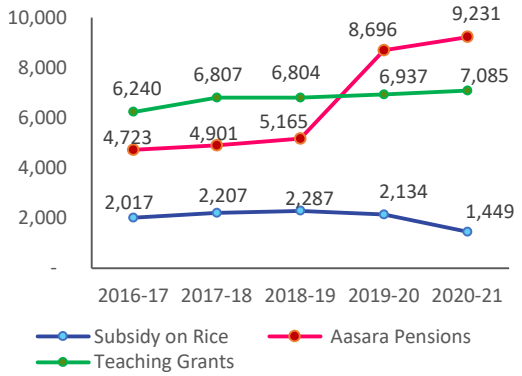
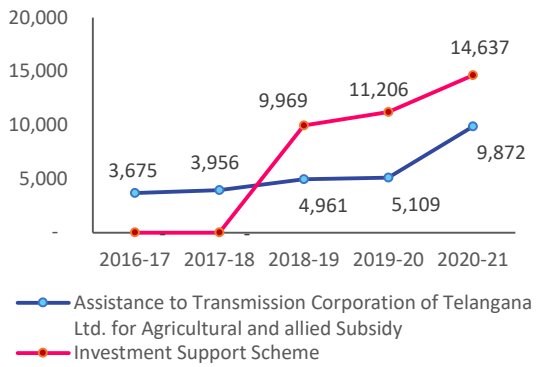


Chart 2.11: Trend of Major expenditure items under Revenue in Economic Sector



Source: Finance Accounts of last five years

Under Economic Sector, there is a huge increase in both Investment Support Scheme (Rythu Bandhu) and Assistance to TRANSCO for agricultural and allied subsidy in the current year. Under Social Sector, Aasara Pensions have increased from ₹1,368 crore in 2016-17 to ₹7,595 crore in 2020-21. Teaching Grants of Mandal Praja Parishads and Zilla Praja Parishads have shown a steady and slow increase across the years, while the Subsidy on Rice has decreased in the current year.

2.5.2.2 Committed Expenditure

Committed expenditure of the State Government on revenue account consists of expenditure towards interest payments, expenditure on salaries and wages and pensions. Increasing share of committed expenditure restricts Government's ability to incur developmental expenditure. ***Table 2.15*** presents the trends in the components of Committed Expenditure during 2016-21.

Table 2.15: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries and Wages	21,586	22,671	23,011	24,195	24,654
Expenditure on Pensions	9,011	11,932	11,477	11,834	13,599
Interest Payments	8,609	10,836	12,586	14,386	16,841
Total	**39,206**	**45,439**	**47,074**	**50,415**	**55,094**
As a *percentage* of Revenue Receipts (RR)					
Salaries and Wages	26.06	25.52	22.69	23.59	24.43
Expenditure on Pensions	10.88	13.43	11.32	11.54	13.48
Interest Payments	10.40	12.20	12.41	14.03	16.69
Total	**47.34**	**51.15**	**46.42**	**49.16**	**54.60**

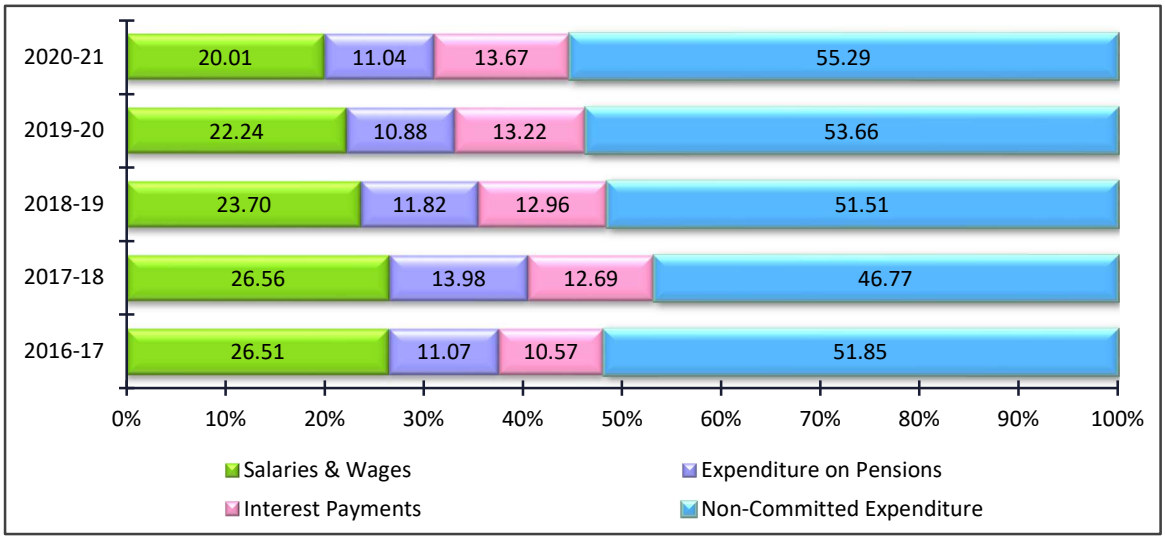
Source: Finance Accounts of last five years

Committed expenditure constituted about 54.60 *per cent* of the total revenue receipts during 2020-21. There was an increase in all the components of committed expenditure. Interest payments in particular, are increasingly consuming Revenue Receipts year after year. Interest payments were 10.40 *per cent* of RR in 2016-17 and increased to 16.69 *per cent* of Revenue Receipts in 2020-21. The continuous increase in committed expenditure and its share in Revenue Receipts results in lesser resource availability for non-committed expenditure (expenditure on development or welfare activities).

Greater reliance on market borrowings by Government in recent years has led to increased committed liabilities on interest payments. Consequently, interest Payments nearly doubled during the five-year period 2016-21. Relative to Revenue Receipts, interest payments increased by 2.66 *per cent* in comparison to previous year. In absolute terms, interest payments were higher by ₹2,455 crore over previous year. Pension payments also increased by ₹1,765 crore over previous year.

The share of committed expenditure in total Revenue Expenditure during the past five years is depicted in ***Chart 2.12***.

Chart 2.12: Share of committed expenditure in Revenue Expenditure during the period 2016-17 to 2020-21



Source: Finance Accounts

Committed expenditure as a *percentage* of Revenue Expenditure has decreased during the current year (41.22 *per cent*) in comparison to the preceding year (46.68 *per cent*). The lesser share, despite higher committed expenditure in absolute terms (by ₹4,310 crore), indicates that the State Government has spent higher amounts on other non-committed expenditure.

2.5.2.3 Undischarged liabilities on account of National Pension System

Government of India introduced the 'National Pension System' applicable to all new entrants joining State Government Service on or after 1 September 2004. Under this system, employees contribute 10 *per cent* basic pay and dearness allowance, which is matched by the State Government, and both employee's and employer's contribution are initially transferred to Public Account (Major Head '8342-117-Defined Contributory Pension Scheme'). The State Government has the responsibility to deposit both employee's and employer's share with the designated authority i.e., National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of National Pension System.

As on 01 April 2020, the National Pension System Deposit Account under Defined Contributory Pension Scheme for Government Employees had an opening balance of

₹269.86 crore. Receipts to the National Pension System Deposit Account during the year were ₹1,341.25 crore[11]. Of the available total of ₹1,611.11 crore, the Government transferred an amount of ₹1,324.13 crore to National Securities Depository Limited, leaving ₹286.98 crore[12] yet to be transferred.

As per provisions of the National Pension System, the Government has to match the contribution of the employees. There is a short contribution of ₹1.11 crore by the State Government to the fund in the year 2020-21. There is overall short contribution of ₹66.09 crore[13] by the Government during the last seven years. Consequently, the current liability stands deferred to future years. Further, the State Government has created an avoidable interest liability on the amount of ₹353.07 crore (short contribution by Government and amount yet to be transferred to National Securities Depository Limited.

On the bifurcation of the erstwhile combined State of Andhra Pradesh in 2014, a balance of ₹730.64 crore was available in the National Pension System Deposit Account of the composite Andhra Pradesh State, pending transfer to National Securities Depository Limited. This amount was to be apportioned between the successor States of Andhra Pradesh and Telangana. Of this amount, ₹365.21 crore was apportioned in 2018-19, with Telangana being allocated ₹134.60 crore, leaving an amount of ₹365.43 crore pending apportionment, which is yet (March 2021) to be settled.

2.5.2.4 Subsidies

Table 2.16 presents expenditure on subsidies for the five-year period 2016-17 to 2020-21.

Table 2.16: Expenditure on subsidies

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	5,935	5,899	6,304	6,846	9,566
Subsidies as a *percentage* of Revenue Receipts	7.17	6.64	6.22	6.68	9.48
Subsidies as a *percentage* of Revenue Expenditure	7.29	6.91	6.49	6.29	7.76

Source: Finance Accounts

Subsidies as a *percentage* of Revenue Receipts increased significantly from 6.68 *per cent* in 2019-20 to 9.48 *per cent* in 2020-21. As a *percentage* of Revenue Expenditure, it increased by 1.47 *percentage* points in 2020-21 (7.76 *per cent*) over the previous year (6.29 *per cent*). Power (78 *per cent*) and Civil Supplies (10 *per cent*) together constituted 88 *per cent* of the total Subsidies (₹8,398 crore).

- Increase in subsidies under Power was due to an increase in Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied Subsidy (₹7,419.21 crore; an increase by ₹3,547 crore) and Roads, Buildings and Ports (₹600 crore; an increase by ₹140 crore on assistance to Telangana State Road Transport Corporation towards Reimbursement of concessions extended to various categories of citizens).

[11] Employee contribution: ₹670.38 crore (including ₹1.18 crore of Employees on Foreign Service and previous year balance of ₹2.39 crore), Government contribution: ₹669.27 crore and Foreign Employer contribution: ₹1.71 crore, totalling to ₹1,341.36 crore. There is a difference of ₹0.11 crore (₹1,341.36 crore - ₹1,341.25 crore), which is under investigation

[12] As of March 2021 in the NPS Deposit Account

[13] Employees contribution ₹3,255.37 crore (-) Government contribution ₹3,189.28 crore

- Decrease in subsidies under Civil Supplies was totally in Subsidy on Rice (Human Resources Development ₹979.33 crore), i.e., decrease by 27 *per cent* when compared to previous year (₹1,340.16 crore).
- Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied subsidy is provided in the form of Grants-in-Aid also in respect of Special Component Plan for Scheduled Castes (₹1,545 crore) and Tribal Area sub-plan (₹908 crore). Thus, the expenditure on Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied subsidy was treated partly as subsidies (₹7,419.21 crore) and partly as Grants-in-Aid (₹2,453 crore).

Apart from above, in other cases also the State Government continued providing subsidies in other forms such as 'Grants-in-Aid' and 'Other expenditure'. Illustrative examples are shown below:

(i) Power subsidy for industries (₹8 crore);
(ii) Managerial subsidy to Telangana State Vikalangula Co-operative Corporation (₹7.8 crore);
(iii) Managerial subsidy to Telangana State Scheduled Castes Co-operative Development Corporation (₹2.5 crore), *etc.*

As a result, the expenditure on subsidies is understated to that extent where the Government is providing subsidies through 'Grants-in-Aid' and 'Other expenditure'.

2.5.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

The State Government provided an amount of ₹54,283 crore to Local Bodies and other Institutions by way of Grants and Loans in 2020-21, which was significantly higher (₹9,316 crore) than in the preceding year.

Table 2.17: Financial assistance to Local Bodies and Other Institutions

(₹ in crore)

Name of the Institution	2016-17	2017-18	2018-19	2019-20	2020-21
(A) Local Bodies					
Urban Local Bodies: Municipal Corporations and Municipalities	608	798	1,542	1,359	3,785
Panchayat Raj Institutions: Zilla Praja Parishads, Mandal Praja Parishads and Gram Panchayats	7,489	6,376	5,996	7,273	8,542
Total (A)	**8,097**	**7,174**	**7,538**	**8,632**	**12,327**
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	987	1,000	1,037	965	985
Development Authorities	119	291	236	154	246
Statutory Corporations	930	1,071	1,409	1,421	2,632
Co-operative Institutions	63	56	229	68	15
Non-Governmental Organisations	615	1,004	775	962	507
Other Institutions[$]	19,837	19,820	26,684	32,765	37,571
Total (B)	**22,551**	**23,242**	**30,370**	**36,335**	**41,956**
Total (A+B)	**30,648**	**30,416**	**37,908**	**44,967**	**54,283**

Name of the Institution	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Expenditure	81,432	85,365	97,083	1,08,798	1,23,212
Assistance as percentage of Revenue Expenditure	37.64	35.63	39.05	41.33	44.06

Source: Finance Accounts

[$] *Other institutions which received ad-hoc or one-time grants during the year mainly towards investment support scheme (₹14,635 crore), Kalyana Lakshmi (₹1,656 crore), Aasara pensions (₹5,403 crore), Aasara pensions to old age persons and widows (₹1,723 crore), Samagra Siksha (₹1,135 crore), etc.*

The overall increase in comparison to previous year was mainly due to increase in Investment Support Scheme by ₹3,430.74 crore, Finance Commission Grants to PR Bodies by ₹1,846.02 crore, State matching grant for Panchayat Raj Bodies by ₹1,206.80 crore, etc.

The increase in financial assistance to Urban Local Bodies was mainly due to Finance Commission Grants (₹1,272.11 crore), State matching grant to Finance Commission grants (₹885.19 crore) and construction of two bed room houses to urban poor (₹550.00 crore).

Box 2.2: Formation of State Finance Commission

As stipulated in Article 23-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 and Urban Local Bodies of the State and to recommend principles for distribution of divisible pool of levies of the State between State and Panchayat Raj Institutions / Urban Local Bodies.

Within one year of formation of Telangana in 2014, constitution of the State Finance Commission was notified (March 2015). The Chairman and a member were appointed almost three years later, only in January 2018. However, no formal orders were issued by Government indicating the terms of reference. The State Finance Commission adopted the provisions of Article 243-Y read with section 250 Telangana State Panchayat Raj Act, 2018 and completed the assignment for the award period 2020-21 to 2024-25. The report was submitted to the Government in October 2020 and the approval of Government is awaited (October 2021).

The Government stated (January 2022) that the final report is under examination and the funds were being released based on interim Report.

2.5.3 Capital Expenditure

Capital Expenditure is incurred for acquisition and creation of capital assets. It also includes 'Repayment of loans; and 'Discharge of Internal Debt' as it reduces liability. Capital Expenditure during the year 2020-21 (₹15,922 crore) was lower (six *per cent*) than that of the preceding year (₹16,859 crore).

2.5.3.1 Major changes in Capital Expenditure

Significant increase or decrease under various Heads of Account in Capital Expenditure during 2020-21 vis-à-vis previous year is shown in ***Table 2.18***.

Table 2.18: Capital Expenditure – comparison between 2019-20 and 2020-21

(₹ in crore)

Major Heads of Accounts	2019-20	2020-21	Variation
Increase			
Social Sector			
4515- Capital outlay on Other Rural Development Programmes	1,008	2,479	1,471
4215- Capital outlay on Water Supply and Sanitation	744	1,042	298
4202- Capital outlay on Education, Sports, Art and Culture	282	531	249
Economic Sector			
5054 - Capital outlay on Roads and Bridges	957	1,151	194
4406 – Capital outlay on Forestry and Wild Life	62	161	99
Decrease			
Social Sector			
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	481	254	(-)227
Economic Sector			
4801 - Capital outlay on Power Projects	2,000	0	(-)2,000
4700 - Capital outlay on Major Irrigation	8,375	6,976	(-)1,399
5475 - Capital outlay on Other General Economic Services	794	742	(-)52
4875 - Capital outlay on Other Industries	63	16	(-)47

Source: Finance Accounts

The decrease in Capital Expenditure during the year 2020-21 was mainly due to decrease under Power Projects (₹2,000 crore) and Major Irrigation (₹1,399 crore). Decrease under Power Projects was due to no additional Investments in DISCOMs. Decrease under Major Irrigation was mainly due to less expenditure on Kaleshwaram Project (₹490 crore) and Srisailam Left Bank Canal (Alemineti Madhava Reddy Project) (₹398 crore).

However, Capital expenditure was higher under few schemes / programmes like other Rural Development Programme like Mahatma Gandhi National Rural Employment Guarantee Act (₹1,352 crore), Pradhan Mantri Gram Sadak Yojana (₹197 crore) and Construction of Rural Roads (₹184 crore).

Our analysis of the data pertaining to the five-year period of 2016-21 revealed that major Capital expenditure occurred on the following schemes / sub-heads:

Table 2.19: Major schemes / sub-heads where Capital Expenditure was significant during the past five years

(₹ in crore)

Social Services		Economic Services	
Mission Bhagiratha	6,365	Investment in DISCOMs	17,619
National Rural Drinking Water Programme	1,703	Kaleshwaram Project	16,223
Swachch Bharath Mission (Gramin)	1,288	Palamuru – Ranga Reddy Lift Irrigation Scheme	10,010
		Mission Kakatiya	4,260
		Special Development Fund for welfare and development activities	3,183

Source: Finance Accounts of last five years

Apart from incurring Capital expenditure on its own through budget, the State Government, however, has been also implementing its flagship projects/schemes like Kaleshwaram and

Mission Bhagiratha through Off-Budget Borrowings (refer to ***paragraph 2.7.2*** for further details) obtained by Special Purpose Vehicles.

Box 2.3: Capital Expenditure on purchase of surgical consumables

We observed in the State Finances Audit Reports, for the past few years, that the expenditure on purchase of surgical consumables was being incorrectly booked and classified as capital expenditure resulting in understatement of Revenue Expenditure and overstatement of Capital Expenditure. In the current year also, the trend continued and an amount of ₹1.50 crore was booked under capital (refer to ***paragraph 3.4.9.2 (ii))***.

We observed that the total progressive Capital expenditure as of March 2021 on this account was ₹129.82 crore. Such incorrect classification of Revenue expenditure as Capital expenditure makes it difficult / impossible to identify the assets in future.

2.5.3.2 Quality of Capital Expenditure – Investments

Capital Expenditure in the Companies, Corporations, and other bodies, which are loss making (or where net worth is eroded) have less chances of providing returns. Return on investment in Share Capital invested in PSUs and prompt recoveries of loans given to various bodies are important determinants in quality of Capital Expenditure.

As of 31 March 2021, the State Government's investments stood at ₹21,826 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. Government of Telangana invested a meagre amount of ₹18.92 crore in five entities during the year 2020-2021. These investments were mainly in (i) Ramagundam Fertilizers and Chemicals Limited (₹14.00 crore), (ii) Handicraft Development Corporation Limited (₹2.00 crore), (iii) Telangana Vikalangula Cooperative Corporation (₹1.39 crore) and (iv) Telangana State Leather Industries Promotion Corporation (₹1.20 crore).

However, these were not confirmed by the departments concerned and the investee entities. The information, furnished to us by the institutions differs from the details in Finance Accounts (refer to ***paragraph 4.15*** for further details). Details of investments made by the Government are shown in ***Table 2.20***:

Table 2.20: Return on Investment

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	13,075	16,365	19,754	21,807	21,826
Return on Investment (₹ in crore)	70	101	94	115	94
Return on investment in *per cent*	0.54	0.62	0.48	0.53	0.43
Interest paid on Government Borrowings (₹ in crore)	8,609	10,836	12,586	14,386	16,841
Average rate of interest on Government Borrowings (*per cent*)	7.40	7.21	6.93	6.70	6.60
Difference between return on investment)# and interest on Government borrowings (₹ in crore	**(-)8,539**	**(-)10,735**	**(-)12,492**	**(-)14,271**	**(-)16,747**
Difference between return and interest rate (*per cent*)	(-)6.86	(-)6.59	(-)6.45	(-)6.17	(-)6.17

Source: Finance Accounts;

 # Investment at the end of the year

Return on Investment in these Companies/ Corporations has been consistently low. The investments made by the Government, as at the end of the year, have increased from ₹13,075 crore in 2016-17 to ₹21,826 crore in 2020-21. However, there is no marked increase in Return on Investment from the Companies/ Corporations.

Investments made and loans given to Companies, Corporations and Co-operatives, which are loss making and whose net worth is completely eroded, affect quality of Capital Expenditure.

The net worth of 15 Companies / Corporations was (-)₹49,142.76 crore, this means that their capital has eroded completely (refer to ***paragraph 5.7.2*** for further details). As per finance accounts, the State Government has an investment of ₹18,838.17 crore in five[14] of them as equity.

2.5.3.3 Quantum and quality of loans disbursed and recovered

Government provides Loans and Advances to State Public Sector Undertakings, Local Bodies and Autonomous Bodies. ***Table 2.21*** presents the details of outstanding Loans and Advances during the years 2016-21:

Table 2.21: Quantum of loans disbursed and recovered during 2016-17 to 2020-21

(₹ in crore)

Quantum of loans disbursed and recovered	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	6,552	9,798	15,869	24,509	33,147
Amount advanced during the year	3,402	6,209	8,706	8,700	10,868
Amount recovered during the year	156	138	66	62	58
Closing Balance of the loans outstanding	9,798	15,869	24,509	33,147	43,957
Net addition	3,246	6,071	8,640	8,638	10,810
Interest received	105	84	7	6	6
Interest rate on Loans and Advances given by the Government	1.07	0.53	0.03	0.02	0.01
Rate of Interest paid on the outstanding borrowings of the Government	7.40	7.21	6.94	6.70	6.60
Difference between the rate of interest received and interest paid (*per cent*)	(-)6.33	(-)6.68	(-)6.91	(-)6.68	(-)6.59

Source: Finance Accounts

- Loans and Advances to Autonomous Bodies and Corporations (₹10,868 crore) in 2020-21 have increased when compared to previous year (₹8,700 crore). This was, however, significantly lower (by ₹4,794 crore) than Budget Estimates of ₹15,662 crore. Major portion of loans were disbursed for projects relating to Water Supply, Sanitation, Housing and Urban Development (₹4,563 crore)[15] as well as Irrigation and Flood

[14] Two DISCOMs: ₹17,618.89 crore, Telangana State Road Transport Corporation: ₹1,219.00 crore, Telangana Rajiv Swagruha Corporation Limited: ₹0.03 crore, Telangana State Housing Corporation Limited: ₹0.25 crore

[15] Mainly on account of Loans to Telangana Drinking Water Supply Corporation Limited (₹2,701.47 crore); Loans to Hyderabad Metropolitan Water Supply and Sewerage Board (₹891.02 crore) and Loans to Financial Institutions (₹875.06 crore)

Control (₹2,643 crore)[16], Agriculture and allied services (₹1,325 crore)[17], Road Transport (₹964 crore)[18], Energy (₹628 crore)[19], Health and Family Welfare (₹360 crore)[20], Industry and Minerals (₹268 crore)[21]. Total Loans and Advances given up to 31 March 2021 was ₹43,957 crore.

- Out of the ₹10,868 crore loans provided during 2020-21, an amount of ₹9,331.29 crore was towards interest payments/principal repayments in respect of loans taken by various institutions, for implementing Government schemes/projects. Hence, these are in the nature of interest payments/ principal repayments pertaining to Off-Budget Borrowings (OBBs). A similar observation was made in State Finances Audit Report of the Comptroller and Auditor General of India for the year 2019-20 also.

  In fact, these loans do not reflect a true picture of Government assets (i.e., loans recoverable). Consistently booking discharge of its liabilities on account of Off-Budget Borrowings as loans provided creates a misperception between actually recoverable loans and discharge of its own liabilities. This seriously impacts the transparency in Government Accounts and misrepresents Government assets.

  We strongly recommend that the State Government should discontinue classifying discharge of liabilities on account of Off-Budget Borrowings as loans given and thus, as Government assets.

- Further, during the past four years, significant amounts of loans were given to institutions for loan repayment which were taken earlier for implementation of Government schemes and to others which did not have definite revenue resources, as shown in ***Table 2.22***:

[16] Mainly on account of Loans to Kaleshwaram Corporation (₹1,647.13 crore) and Telangana State Water Resources Infrastructure Development Corporation Limited (₹995.91 crore)

[17] Mainly on account of Loans to Telangana State Sheep and Goat Development Cooperative Federation Limited (₹797.31 crore) and Loans to Horticulture Development Corporation (₹300.43 crore)

[18] Mainly on account of Loans to Telangana State Road Development Corporation (₹563.84 crore) and Loans to Telangana State Road Transport Corporation (₹400.00 crore)

[19] Mainly on account of interest / repayment loans of Power Finance Corporation Bonds (₹375.31 crore) and Loans to Telangana TRANSCO for High Voltage Distribution System (₹252.41 crore)

[20] On account of Loans to Arogyasri Health Care Trust (₹360.06 crore)

[21] On account of repayment of Loans of Telangana State Industrial Infrastructure Corporation (₹268.10 crore)

Table 2.22: Loans given during 2017-18 to 2020-21 to institutions for repayment of loans / which do not have definite stream of revenue resources

(₹ in crore)

Sl. No.	Institution	Amount (as of March 2021)
Loans given to institutions for repayment of loans in connection with implementation of Government Schemes		
1	Telangana Drinking Water Supply Corporation Limited for Mission Bhagiratha	7,972.67
2	Telangana State Sheep and Goat Development Cooperative Federation Limited	2,166.65
3	Hyderabad Metropolitan Water Supply and Sewerage Board	3,057.02
4	Telangana State Industrial Infrastructure Corporation	538.40
5	Power Finance Corporation Bonds	1,183.59
Loans given to institutions, not having definite stream of revenue resources for repayment of loans		
1	Telangana State Scheduled Castes Cooperative Development Corporation Ltd	3,000.00
2	Telangana State Scheduled Tribes Cooperative Finance Corporation Limited	1,700.00
3	Arogyasri Health Care Trust	2,506.32

Source: Finance Accounts

- Government has not been stipulating important aspects like rate of interest, time period for repayment, number of instalments, etc. while providing loans to institutions. As a result the recovery of loans and interest recovery has been consistently very low during the past few years.
  - The Government was able to recover loans primarily from Government Servants only. This constituted 98 *per cent* (₹56.90 crore) of the recovered loans (₹58.16 crore). The recovery from major institutions was a meagre ₹1.26 crore under 'Loan assistance for integrated Co-operative Development projects'.
  - Even out of ₹5.50 crore interest received, ₹5.35 crore was from Government servants. Only a paltry sum of ₹0.15 crore was from loans given under Social and Economic sectors.

  State Government may ensure that the loan agreements mention important terms and conditions like rate of interest, repayment schedule etc. It also should firm up such terms and conditions in respect of earlier loans, if provided, without them.

- State Government has provided ₹891.02 crore during 2020-21 as Loan to Hyderabad Metropolitan Water Supply and Sewerage Board, which has not submitted its annual accounts for more than a decade (from 2010-11 onwards). Despite this, the State Government continued to provide loans to it. The cumulative loan provided was ₹7,648.32 crore as of March 2021. Similarly, Telangana State Vaidya Vidhana Parishad whose accounts have been in arrears since 2014-15 has been provided with a cumulative loan of ₹528.16 crore as of March 2021.

  State Government may predicate further extension of loans depending on submission of annual accounts by institutions.

2.5.3.4 Capital blocked in Ongoing Projects

Blocking of funds on incomplete Projects/Works impinges the quality of expenditure. Further, the funds borrowed for implementation of these projects during the respective years leads to extra burden in terms of servicing of debt and interest liabilities.

As per the information furnished by the State Government, 444 projects / works were ongoing and an expenditure of ₹1,53,635.85 crore was incurred on them as of 31 March 2021. The age-wise and Department/wing wise profile is shown in ***Table 2.23*** and ***Table 2.24***.

Table 2.23: Age profile of ongoing projects / works as on 31 March 2021

Ongoing Project / work commenced in the year	No. of ongoing Projects / works	Estimated cost (₹ in crore)	Expenditure (₹ in crore)
up to 2013-14	26	66,144.57	1,23,430.41
2014-15	10	79.22	45.96
2015-16	45	8,741.75	5,700.81
2016-17	55	52,296.15	22,584.40
2017-18	41	1,998.25	741.79
2018-19	145	2,824.90	827.41
2019-20	27	384.76	126.20
2020-21	95	1,790.81	178.87
Total	**444**	**1,34,260.41**	**1,53,635.85**

Table 2.24: Department / Wing -wise profile of ongoing projects / works as on 31 March 2021

Department/ Wing	No. of ongoing projects / works	Estimated cost (₹ in crore)	Expenditure (₹ in crore)
Roads	353	5,263.69	1,776.36
Bridges	35	92.55	44.62
Buildings	17	18.75	5.92
Irrigation	24	1,16,823.02	1,44,398.59
Others	54	12,062.40	7,410.36
Total	**444**	**1,34,260.41**	**1,53,635.85**

Source: Finance Accounts

Capital expenditure incurred during the five-year period 2016-17 to 2020-21 ranged from 10.61 *per cent* to 28.22 *per cent* of the Total Expenditure. An amount of ₹1,12,695 crore was spent on capital projects during this period. Within the capital projects, the major share of Capital expenditure (52.69 *per cent*) was on Irrigation and Flood Control (₹53,257 crore). Capital outlay on Irrigation and Flood Control and its share in total Capital Expenditure of the Government are shown in ***Chart 2.13*** and ***Chart 2.14***.

Chart 2.13: Expenditure on Irrigation and Flood Control across years

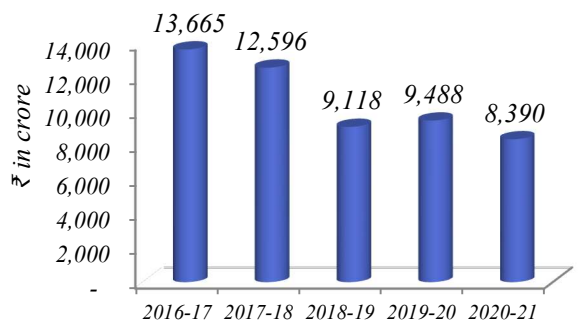
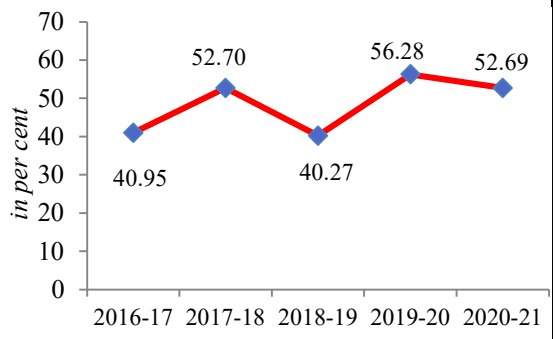


Chart 2.14: Portion of Irrigation and Flood control in Capital Expenditure



Source: Finance Accounts

There were 24 ongoing irrigation projects (commenced between 1983 to 2017) as of March 2021. The original cost of these projects was revised from ₹1,16,823.02 crore to ₹2,19,859.33 crore i.e., an escalation by ₹1,03,036.31crore (88.19 *per cent*). An expenditure of ₹1,44,398.59 crore was incurred on these projects as of March 2021. In addition to this, as per Appendix IX of the Finance Accounts, the Government has a pending liability of ₹9,523.13 crore in respect of 18 ongoing irrigation projects.

Irrigation projects are taken up and approved on the basis of data that supports an implicit assumption that the benefits of the project will outweigh the costs. Non-completion of projects deprives the State of intended benefits of economic growth. Further, the State Government did not disclose financial results of any of the irrigation projects. As a result, there was no assurance on returns from the public investments in Irrigation and Flood control.

In respect of other Departments, 300 projects / works[22] with an estimated cost of ₹6,922.19 crore remained incomplete and an expenditure of ₹3,410.39 crore was incurred as of March 2021 on these delayed projects. In addition to this, as per Appendix IX of the Finance Accounts, the Government has a pending liability of ₹671.08 crore in respect of 230 other ongoing projects / works[23].

2.5.3.5 Implementation of Ujwal DISCOM Assurance Yojana – non-discharge of commitments under the scheme

Government of India introduced (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) for financial turnaround of State Power Distribution Companies (DISCOMs). The participating States shall have to achieve operational and financial turnaround of DISCOMs as per UDAY scheme Guidelines.

In terms of the scheme, the Government of Telangana signed a tripartite Memorandum of Understanding (January 2017) with the GoI and DISCOMs. As per the Memorandum of Understanding, the State Government had to take over 75 *per cent* (₹8,923 crore) of outstanding debt (₹11,897 crore) of the DISCOMs as on 30 September 2015. Further, the State Government was also to take over the further losses in the following manner:

- 5 *per cent* of the loss of 2016-17 in the year 2017-18;
- 10 *per cent* of the loss of 2017-18 in the year 2018-19;
- 25 *per cent* of the loss of 2018-19 in the year 2019-20; and
- 50 *per cent* of the loss of previous year in the year 2020-21.

For taking over of 75 *per cent* of DISCOMs' outstanding debt, State Government borrowed an amount of ₹8,931.51 crore through UDAY bonds. It however, released only ₹7,723 crore[24] to DISCOMs leaving a further commitment of ₹1,200 crore[25] undischarged. Further, the Energy Department also issued Orders for takeover of further losses as shown in ***Table 2.25***:

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[22] (i) 248 Road works with an estimated cost of ₹4,501.72 crore on which ₹1,505.96 crore was spent (ii) 32 Bridge works with an estimated cost of ₹80.18 crore on which ₹43.18 crore was spent (iii) 15 Building works with an estimated cost of ₹16.75 crore on which ₹5.32 crore was spent and (iv) 5 Water Supply Schemes and other projects / works with an estimated cost of ₹2,323.54 crore on which ₹1,855.93 crore was spent

[23] (i) 162 Road works with pending payment of ₹179.42 crore (ii) 27 Bridge works with pending payment of ₹16.55 crore (iii) 15 Building works with pending payment of ₹4.03 crore; and (iv) 26 Water Supply Schemes and other projects / works with pending payment of ₹471.08 crore

[24] please refer to paragraph 2.8 of Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended March 2019 on Government of Telangana for further details

[25] Calculation: ₹8,923 crore (-) ₹7,723 crore

Table 2.25: Orders issued for discharge of commitment of Ujwal DISCOM Assurance Yojana

(₹ in crore)

Sl. No.	Description	Order dated	Amount of loss to be taken over
1	05 *per cent* of the losses of 2016-17	November 2017	310.44
2	10 *per cent* of the losses of 2017-18	August and December 2018	548.53
3	25 *per cent* of the losses of 2018-19	August 2019 and January 2020	2,004.68
4	50 *per cent* of the losses of 2019-20	November 2020	3,028.00
	Total		**5,891.65**

Source: Government Orders concerned

However, as per the Accounts of the State Government, no amounts were released during the years 2018-19 to 2020-21. Thus, the accumulated commitment of ₹7,091.65 crore of the Government for taking over losses of DISCOMs under the UDAY scheme as agreed in the tripartite agreement remained undischarged as of end of March 2021. The current commitments stand postponed to future years besides non-achievement of DISCOMs' financial turnaround as envisaged under UDAY scheme.

2.5.4 Expenditure priorities

Enhancing human development levels requires the State to step up its expenditure on key social services like Education, Health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to Total Expenditure, the better is the quality of expenditure. Expenditure priorities of Telangana in comparison to General States[26] is given below:

Table 2.26: Expenditure priority of the State with regard to Health, Education and Capital Expenditure

(in *per cent*)

	TE/ GSDP	SSE / TE	ESE / TE	DE / TE	CE / TE	Education/ TE	Health/ TE
Average of General States (2016-17)	17.12	35.81	35.16	70.97	19.77	14.93	5.49
Telangana (2016-17)	**17.96**	**34.89**	**43.20**	**78.08**	**31.14**	**10.11**	**4.62**
Average of General States (2020-21)	16.18	37.81	28.48	66.29	13.03	15.00	6.74
Telangana (2020-21)	**15.30**	**36.98**	**36.10**	**73.08**	**17.86**	**8.36**	**4.24**

Source: Finance Accounts of the States concerned

Note: Green font represents higher than average of General States and Red font represents lower than average of General States

TE: Total Expenditure, GSDP: Gross State Domestic Product, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, DE: Development Expenditure i.e., Expenditure on Social and Economic sectors, CE: Capital Expenditure,

- As a percentage of Gross State Domestic Product, the Total Expenditure of Telangana, which was higher than the average of General States in 2016-17 by 0.84 *percentage* points, has declined and in 2020-21 it was 0.88 *percentage* points lower than General States.

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

- The proportion of expenditure on Development (i.e., expenditure on Economic and Social Sectors) to Total expenditure of Telangana has been higher than the average of other General States. This shows that the State gave higher priority to Development Expenditure.
- The State has, however, been persistently trailing in respect of expenditure on Education and Health when compared to the other General States. This was reported in the State Finances Audit Reports of the Comptroller and Auditor General of India in the earlier years also. In fact, the gap between General States and Telangana is increasing, which could be a matter of concern from the social perspective.

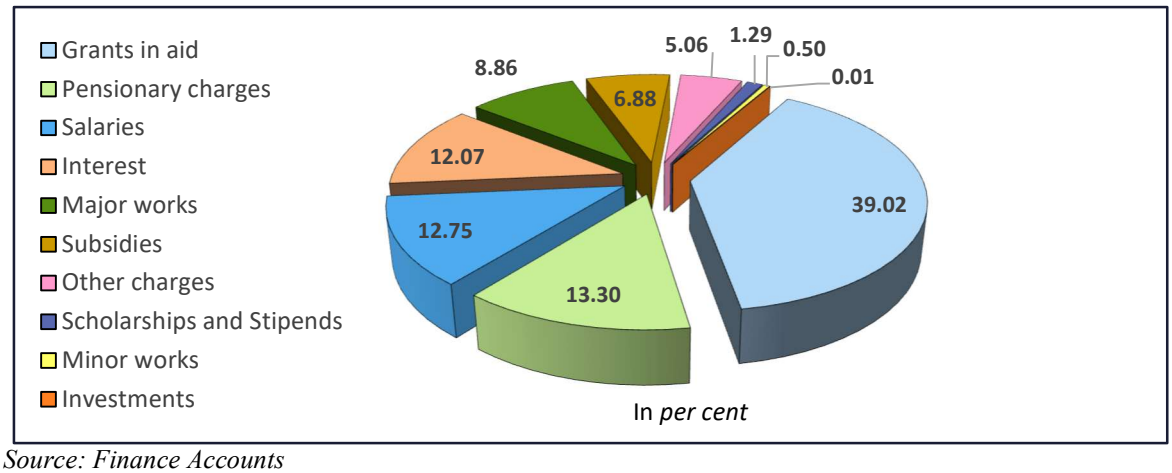
The Government stated (January 2022) that considering expenditure on Universities, BC Welfare, Forest College, Health Education, Minority Welfare, Social Welfare and Tribal Welfare, the expenditure as a percentage of total expenditure would be 14.02 in 2016-17 and 10.65 in 2020-21. The reply is not tenable as even after the above considerations, Telangana is still behind General States.

- As mentioned earlier in this Chapter, capital expenditure witnessed decline during 2020-21, but was higher than that of General States.

2.5.5 Object-wise expenditure

The following chart on object-wise expenditure gives the purpose or object of expenditure.

Chart 2.15: Object-wise expenditure



Source: Finance Accounts

As can be seen from the Chart, most of the expenditure was in the form of Grants-in-Aid followed by expenditure on Pensions, Salaries and Interest. Expenditure on Minor works and Investments is very less.

2.6 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. These are not subject to vote by the State Legislature. The Government

acts as a banker in respect of these funds. The balance after disbursements during the year is the fund available to the Government for use for various purposes.

2.6.1 Net Public Account Balances

Component-wise net balances (increase / decrease) in Public Account as of 31 March of the year during the five-year period 2016-17 to 2020-21 are given in ***Table 2.27***.

Table 2.27: Component-wise net balances (increase (+) / decrease (-) in Public Account (as of 31 March of the year)

(₹ in crore)

Sector and Sub-Sector	2016-17	2017-18	2018-19	2019-20	2020-21
Small Savings, Provident Funds, etc.	1,069	976	845	783	945
Reserve Funds					
a) Reserve Funds bearing interest	(-)111	(-)41	288	3,226*	226
b) Reserve Funds not bearing interest	551	319	1,242	1,127	548
Deposits					
a) Deposits bearing interest	433	216	121	140	180
b) Deposits not bearing interest	1,478	5,645	2,976	1,266	4,901
c) Advances	7	(-)1	3	0.01	0
Suspense and Miscellaneous					
a) Suspense	(-)50	(-)39	113	292	(-)229
b) Other Accounts	504	(-)534	(-)773	5	(-)3
c) Accounts with Governments of Foreign Countries	(-)0.02	(-)0.02	(-)0.03	(-)0.02	(-)0.02
d) Miscellaneous	--	--	--	--	--
Remittances					
a) Money Orders and other Remittances	151	(-)116	126	34	(-)5
b) Inter-Governmental adjustment account	(-)306	1,422	(-)11	(-)27	(-)27
Total	**3,726**	**7,847**	**4,930**	**6,846**	**6,536**

Source: Finance Accounts

* *The increase in Reserve Funds bearing interest in 2019-20 was due to establishment of a new Reserve Fund viz., State Compensatory Afforestation Fund*

Note: +ve figures denote debit balance and –ve figures denote credit balances

2.6.2 Reserve Funds

Reserve Funds are created for specific and defined purposes. These are funded by contributions / Grants from Consolidated Fund of the State. Out of the gross accumulated balance of ₹12,815.39 crore lying in these Funds as on 31 March 2021, an amount of ₹7,397.20 crore was invested in Government of India Securities, leaving a net accumulated balance of ₹5,418.19 crore[27].

The transactions during the year 2020-21 under major reserve funds are detailed below.

2.6.2.1 Consolidated Sinking Fund

State Government set up the Sinking Fund in 1999-2000 in line with the recommendations of the Twelfth Finance Commission for amortization of market borrowings as well as other loans and debt obligations. The fund is managed by the Reserve Bank of India.

[27] Reserve Funds bearing Interest: ₹3,829.93 crore and Reserve Funds not bearing Interest: ₹1,588.26 crore

As per the guidelines[28], the State Government may contribute annually to the Consolidated Sinking Fund at 0.50 *per cent* of the outstanding liabilities at the end of the previous financial year. Accordingly, ₹1,160.90 crore was to be contributed in 2020-21 on the outstanding liabilities of ₹2,32,180.90 crore as at the end of 2019-20. However, the State Government did not make any contribution in 2020-21. An interest of ₹467.57 crore was earned through the amounts invested from Consolidated Sinking Fund. Thus, the total addition to Consolidated Sinking Fund during the year was ₹467.57 crore and it fell short of the annual contribution by ₹693.33 crore. As of 31 March 2021, the balance in Sinking Fund was ₹6,108.99 crore, of which ₹6,068.52 crore was invested.

Government replied (January 2022) that the contribution would be made every year keeping in view the Ways and Means position.

2.6.2.2 State Disaster Response Fund

Government of India replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. As per the guidelines of the Fund, Government of India and State Governments are required to contribute to the Fund in the proportion of 75:25 respectively.

The contributions are to be transferred to the Public Account under Major Head of Account – 8121. Expenditure during the year is incurred by initially operating Major Head – 2245-Relief on account of Natural Calamities and later adjusted to Public Account. The SDRF is used for meeting expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst etc.

The amount available in State Disaster Response Fund as of 1 April 2020 was ₹977.67 crore. During 2020-21, Government of India contributed ₹449 crore and State Government contributed its share of ₹149.67 crore to the fund. Out of ₹1,576.34 crore available in the Fund, an amount of ₹21.03 crore was utilised, leaving a balance of ₹1,555.31 crore in the Fund.

Box 2.4: Adjustment to State Disaster Response Fund on account of Covid -19 Pandemic

Government of India, by way of special one-time dispensation for the year 2020-21 allowed (September 2020) the State Governments to utilise State Disaster Response Fund for procurement of essential equipment / setting up of testing laboratories for response to Covid-19 Pandemic and to take measures for quarantine, sample collection and screening with an overall cap of 50 *per cent* of annual allocation of the State Disaster Response Fund. The Government of India further allowed (March 2021) the States to utilize up to 10 *per cent* of opening balance in State Disaster Response Fund as on 01 April 2020 by way of one-time special dispensation for Covid-19 containment measures during 2020-21 in addition to the utilisation of 50 *per cent* of allocation allowed earlier.

As such the State could have utilised, (i) an amount of ₹97.77 crore, being 10 *per cent* of the opening balance (₹977.67 crore) and (ii) an amount of ₹299.34 crore, being

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

50 *per cent* of ₹598.67 crore (including Central and State's share) allocated to the fund during the year, totaling to ₹397.11 crore towards Covid-19 Pandemic measures.

However, the amount adjusted as disbursements from State Disaster Response Fund was only ₹21.03 crore during the year. Thus, the State Government had foregone an opportunity to adjust ₹376.08 crore to State Disaster Response Fund. Out of this, an amount of ₹282.06 crore (75 *per cent*), could have been to the Government of India's share, as per the funding pattern of State Disaster Response Fund.

Further, as per paragraph 3 (ii) of State Disaster Response Fund guidelines, a State Government may use up to 10 *per cent* of the funds available under the State Disaster Response Fund for providing immediate relief to the victims of natural disasters that they consider to be 'disasters' within the local context in the State and which are not included in the list of disasters of the Ministry of Home affairs subject to the condition that the State Government has listed the State specific natural disasters and notified clear and transparent norms and guidelines for such disasters with the approval of the State Authority i.e., State Executive Authority. However, we did not find any amount adjusted to SDRF towards local natural disasters during the year, as per Finance Accounts.

2.6.2.3 Guarantee Redemption Fund

As per guidelines of Reserve Bank of India, Government of Telangana created[29] (June 2014) a Guarantee Redemption Fund to meet its obligations pertaining to the guarantees given by the Government on the borrowings taken by bodies such as Public Sector Undertakings, Special Purpose Vehicles, *etc.,* in case of default by the borrower.

- As per the guidelines (June 2014), the State Government may contribute 0.50 *per cent* on the guarantees outstanding as on 31 December every year, so that the minimum level of three *per cent* is achieved during the subsequent five years. The Guarantee Redemption Fund is to be gradually increased to a desirable level of five *per cent*. Accordingly, ₹525.03 crore was to be contributed in 2020-21 on the outstanding value (₹1,05,007 crore) of Guarantees. State Government, however, has not made any contribution in the year 2020-21. Thus, there was a shortfall of ₹525.03 crore in contribution to the Guarantee Redemption Fund.
- State Government contributed ₹83.94 crore to Guarantee Redemption Fund initially in 2015-16 and thereafter did not contribute in 2016-17 and 2017-18. It contributed ₹200 crore and ₹300 crore in 2018-19 and 2019-20 respectively. Again there was no contribution in 2020-21. Thus, there is inconsistency on the part of the State Government in Guarantee Redemption Fund contributions.
- As mentioned above, a minimum level of three *per cent* was to be achieved in five years after creation of Guarantee Redemption Fund (2014). Accordingly, Guarantee Redemption Fund should have an amount of ₹3,150.21 crore (i.e., three *per cent* on ₹1,05,007 crore). However, the total available balance in the fund as of March 2021

[29] G.O. Ms. No. 4, Finance (DCM), dated 11.06.2014

was ₹1,324.92 crore[30], which is only 1.26 *per cent* of the outstanding amount of Guarantees. Thus, the Guarantee Redemption fund is underfunded to the extent of ₹1,825.29 crore, even after seven years of its inception.

- In addition to the income accrued to the fund, the accretions by way of Guarantee Commission realised during the preceding year from the institutions etc., to which guarantee was issued, would also be transferred to the Fund account, during the succeeding year. The State Government received an amount of ₹340 crore as Guarantee Commission during 2018-19, which was required to be transferred to the Guarantee Redemption Fund during 2019-20. However, this was not done either in 2019-20 or 2020-21. As a result, the Guarantee Redemption Fund is underfunded to that extent.

Government replied (January 2022) that the contribution would be made every year keeping in view of the Ways and Means position.

2.6.2.4 State Compensatory Afforestation Fund

Government of Telangana established (February 2019) "State Compensatory Afforestation Fund" in accordance with 'Compensatory Afforestation Fund Act, 2016 and Compensatory Afforestation Fund Rules, 2018.

There was an opening balance of ₹2,609.12 crore at the beginning of the year 2020-21. During the year, no amount was received into the State Compensatory Afforestation Fund. An amount of ₹352.07 crore was disbursed out of the fund leaving a balance of ₹2,257.05 crore at the end of the year.

Principal Chief Conservator of Forests informed (October 2021) that an amount of ₹124.17 crore receivable from user agencies into the State Compensatory Afforestation Fund during the year 2020-21 was remitted to National Fund, as the payment gateway at State level was under establishment. An amount of ₹92.68 crore pertaining to 2019-20 was also remitted to National Fund last year. Further details in this regard are given in ***Paragraph 4.2***.

2.7 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government debt in order to raise the required amount of funding, mitigate risk and achieve cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

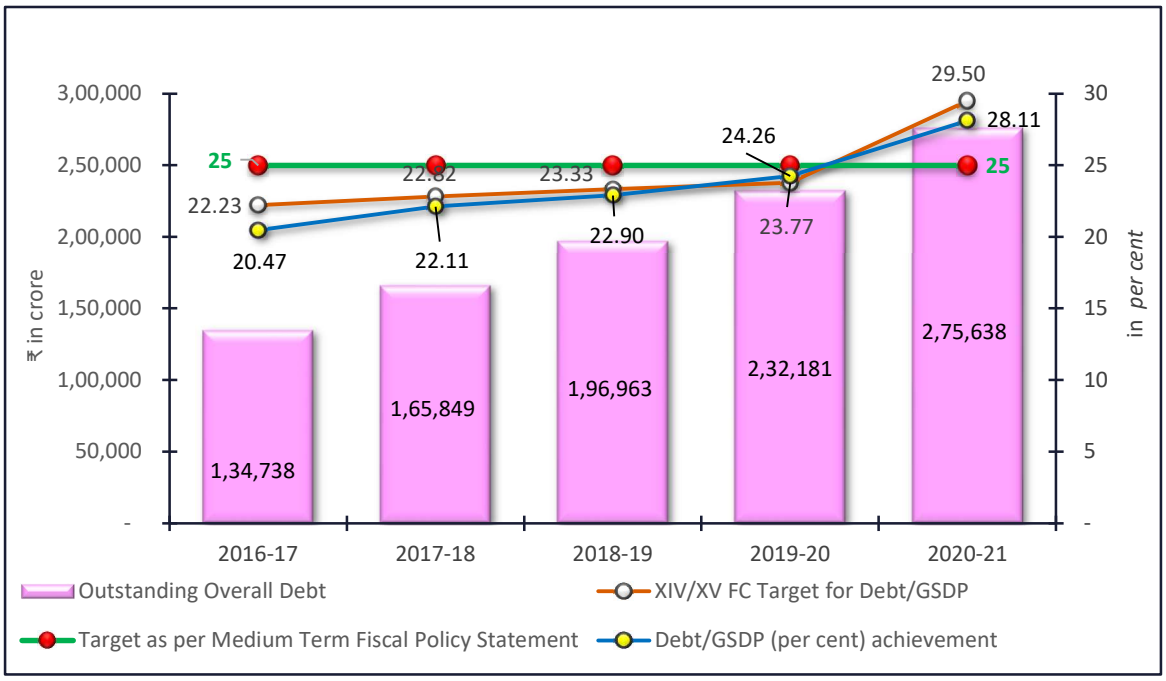
2.7.1 Debt profile: Components

Total debt of the State Government comprises (i) Internal debt of the State (Market Loans, Ways and Means Advances from Reserve Bank of India, special securities issued to National Small Savings Fund and Loans from Financial Institutions, etc.), (ii) Loans and Advances from the Central Government, and (iii) Public Account Liabilities.

[30] including interest earned of ₹100.87 crore during the year

The total outstanding debt of the State Government at the end of 2020-21 was ₹2,78,018 crore[31]. The trend of outstanding debt and ratio of debt to Gross State Domestic Product during the period 2016-21 is given in ***Chart 2.16***.

Chart 2.16: Trend of total outstanding Debt



Source: Finance Accounts

Note 1: The Fifteenth Finance Commission in its interim report for 2020-21 did not mention any target. Hence, the figures mentioned in its full report for 2021-26 have been considered, which is 5.73 percentage points higher than Fourteenth Finance Commission projections for 2019-20

Note 2: The figures of ₹2,75,638 crore in 2020-21 excludes ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall, which need not be repaid by the State Government

The outstanding liabilities (excluding back-to-back loans in lieu of GST compensation shortfall) grew by 18.72 *per cent* over the previous year. As per Fifteenth Finance Commission recommendations, the total outstanding Debt to Gross State Domestic Product ratio should be between 29.00 to 29.70 during the period 2020-21 to 2025-26. For the year, 2020-21, the Fifteenth Finance Commission recommended that the Debt to Gross State Domestic Product ratio should be less than 29.50 *per cent* for Telangana. Thus, a comparison of achievement for Debt-Gross State Domestic Product is being made as per the recommendations of the Fifteenth Finance Commission for the year 2020-21.

As per the Accounts, the State has achieved the target as prescribed by Fifteenth Finance Commission restricting the Debt – Gross State Domestic Ratio to 28.11 *per cent*. This ratio, however, exceeded the limit of 25 *per cent* as targeted by the State Government itself, in Medium Term Fiscal Policy Statement presented to the State Legislature along with budget documents.

[31] This includes ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall, which is borrowed by GoI and would be serviced by it from out of GST compensation Cess and the repayment obligation need not be met from the other resources of the State

Telangana State Fiscal Responsibility and Budget Management (TSFRBM) Act, considered "total liabilities" as the liabilities under the Consolidated Fund and Public Account of the State and shall include borrowings by Public Sector Undertakings and the Special Purpose Vehicles and other equivalent instruments including guarantees where the principal and/or interest are to be serviced out of State budgets. The Fifteenth Finance Commission[32] (November 2019) for the year 2020-21, has noted the tendency of Governments to borrow outside the Consolidated Fund, leading to accumulation of extra-budgetary liabilities. It suggested that the Governments should comply with the recommended path of debt consolidation and in doing so, the Governments must abide by the definition of both debt and fiscal deficit as contained in TSFRBM Act, which recognises issues connected with off-budget borrowings, contingent liabilities and guarantees. The Fifteenth Finance Commission opined that there is a need to make full disclosure of such extra-budgetary borrowings.

The State Government, however, did not make a full disclosure of such Extra-Budgetary/ Off-Budget Borrowings in the budget documents 2020-21. We conservatively assessed the quantum of Off-Budget Borrowings taken by various institutions[33] on behalf of the Government. This was based on the extent of information furnished by various institutions like Public Sector Undertakings /Autonomous Bodies, Guarantees given and other Financial Statements of the Government (***refer to paragraph 2.7.2 for further details***).

Considering such Off-Budget Borrowings (₹ 97,940.45 crore), as at the end of March 2021, the Debt-Gross State Domestic Product ratio would be 38.10 *per cent* (i.e., ₹3,73,578.45 crore[34] on GSDP of ₹9,80,407 crore). This is much higher than both the targets fixed by Fifteenth Finance Commission in its Report and by the State Government in its Medium Term Fiscal Policy Statement.

The Government replied (January 2022) that though it has extended Guarantees to various corporations to raise finances from Banks etc., for development expenditure, repayments are made from their accounts, and hence these cannot be considered as OBBs always for calculation of total outstanding liabilities of the State.

The reply is not acceptable as we have considered only those cases where payment of interest or repayment of principal was done out of Government resources only.

The details of total outstanding debt (i.e., Internal Debt, Loans from Government of India and Public Account Liabilities), debt receipts, debt repayments, ratio of debt to Gross State Domestic Product and the actual quantum of debt available to the State during 2016-21 are shown in ***Table 2.28***.

[32] Paragraph 2.53 of its report

[33] Considering the Borrowings made by PSUs/ABs on behalf of the Government as informed by former and Guarantees given by the Government as per the Finance Accounts, whichever is lower

[34] Total outstanding Debt:₹2,75,638 crore and OBB:₹97,940.45 crore (assessed on a conservative basis)

Table 2.28: Component-wise Debt trends

(₹ in crore)

		2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding overall Debt		**1,34,738**	**1,65,849**	**1,96,963**	**2,32,181**	**2,78,018***
Public Debt	Internal Debt	1,12,830	1,34,287	1,56,933	1,86,959	2,24,379
	Loans from Government of India	8,406	8,631	8,231	7,999	10,174*
Public Account Liabilities		13,502	22,931	31,799	37,223	43,465
Rate of growth of outstanding debt over previous year (*percentage*)		*37.50*	*23.09*	*18.76*	*17.88*	*19.74*
Gross State Domestic Product (GSDP)		6,58,325	7,50,050	8,60,078	9,57,207	9,80,407
Total Outstanding Debt/GSDP (*per cent*)		*20.47*	*22.11*	*22.90*	*24.26*	*28.36*
Total Debt Receipts		91,902	1,06,641	1,17,715	1,43,870	1,87,503*
Total Debt Repayments		59,551	78,203	91,080	1,08,652	1,41,666
Total Debt available		32,351	28,438	26,635	35,218	45,837
Debt Repayments/Debt Receipts (*percentage*)#		*64.80*	*73.33*	*77.37*	*75.52*	*75.55*

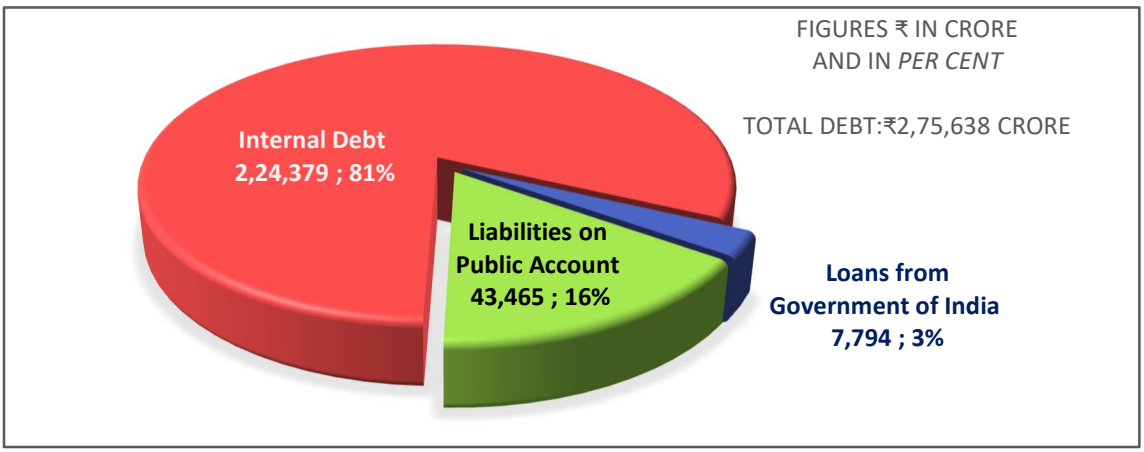
Source: Finance Accounts

* *This includes ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall*

\# *excluding Ways and Means Advances of ₹12,088 crore, ₹22,922 crore, ₹21,823 crore, ₹37,248 crore and ₹69,454 crore for 2016-17, 2017-18,2018-19, 2019-20 and 2020-21 respectively, the percentages would be 59.46, 66.03, 72.22, 66.96 and 61.17 per cent respectively*

The ratio of outstanding Debt to Gross State Domestic Product is continuously increasing over the past five-year period. The amount of total debt of ₹2,78,018 crore shown above included back to back loan of ₹2,380 crore. Debt/GSDP ratio excluding back to back loan in total debt (₹2,75,638 crore) would be 28.11 *per cent* instead of 28.36 *per cent*. Similarly, excluding back-to-back loans in lieu of GST compensation, which need not be repaid, Loans from Government of India would be ₹7,794 crore. The breakup of outstanding overall Debt at the end of March 2021 is shown in ***Chart 2.17***.

Chart 2.17: Break up of outstanding overall Debt at the end of March 2021

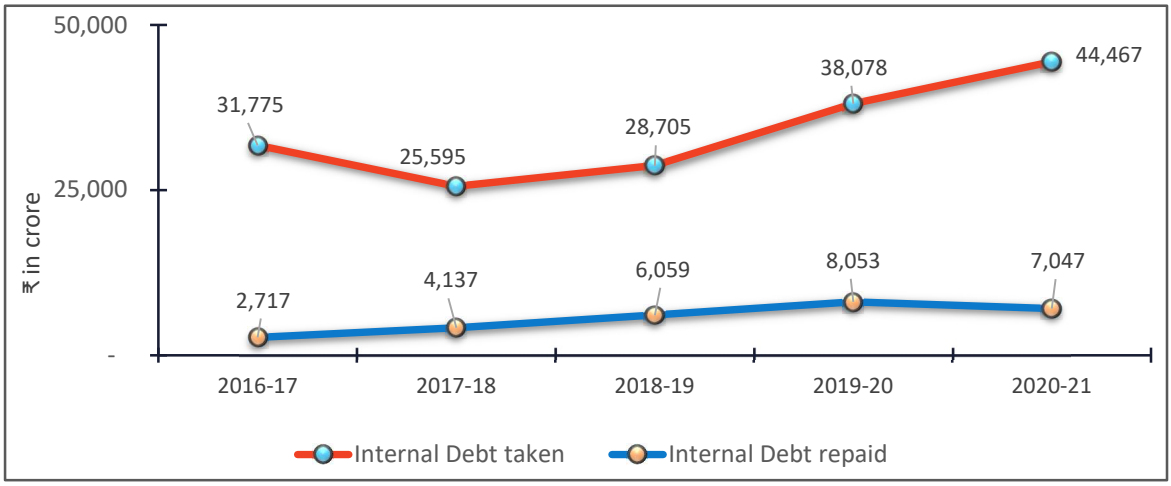


Source: Finance Accounts

Note : The figures of ₹2,75,638 crore and ₹7,794 crore exclude ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall, which is borrowed by GoI and would be serviced by it from out of GST compensation Cess and the repayment obligation need not be met from the other resources of the State

Major portion of the total outstanding debt is Internal Debt (81 *per cent*). The comparative trend of internal debt received and repaid are shown in ***Chart 2.18***.

Chart 2.18: Comparative trend of internal debt taken and repaid



Source: Finance Accounts
Note: excluding Ways and Means Advances

In the current year the internal debt repaid is less than previous year. The gap between internal debt taken and repaid has been widening year on year and increased considerably during 2020-21 as can be seen from the Chart above.

2.7.1.1 Components of Fiscal Deficit and its financing pattern

Fiscal Deficit represents the total financing that the State requires (predominantly by drawing on its cash and investment balances with the Reserve Bank of India and by borrowing) to meet the excess of Revenue and Capital Expenditure (including Loans and Advances) over Revenue and non-debt receipts. Composition and financing of Fiscal Deficit are given in ***Table 2.29***.

Table 2.29: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit						
1	Revenue Surplus (+) / Deficit (-)	1,386	3,459	4,337	(-)6,254	(-)22,298
2	Net Capital Expenditure	(-)33,371	(-)23,902	(-)22,641	(-)16,859	(-)15,922
3	Net Loans and Advances	(-)3,246	(-)6,071	(-)8,640	(-)8,638	(-)10,810
4	Net Interstate Settlement	(-)50	(-)186	(-)5	(-)8	(-)8
	Gross Fiscal Deficit	**(-)35,281**	**(-) 26,700**	**(-)26,949**	**(-)31,759**	**(-)49,038**
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	20,578	21,828	22,184	30,697	38,782
2	Special Securities issued to National Small Savings Fund	(-)799	(-)799	(-)814	(-)827	(-)827
3	Loans from Financial Institutions	7,681	429	1,276	155	(-)535
4	Loans from Government of India	193	224	(-)400	(-)232	2,175[$]
5	Small Savings, PF, etc.	1,069	976	845	783	945
6	Deposits and Advances	1,918	5,860	3,100	1,406	5,081
7	Suspense and Miscellaneous	454	(-)573	(-)660	297	(-)232
8	Remittances	(-)155	1,306	115	7	(-)32

	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
9	Reserve Fund	440	278	1,530	4,353	774
10	Net Contingency Fund	(-)0.09	0	(-)2.01	(-)2.11	4.21
11	**Total**	**32,977**	**29,529**	**27,174**	**36,637**	**46,135**
12	Increase (-) /Decrease (+) in Cash Balance	2,304	(-)2,829	(-)225	(-)4,878	2,903
Gross Fiscal Deficit financed (11+12)		**35,281**	**26,700**	**26,949**	**31,759**	**49,038**

Source: Finance Accounts

[$] *This is the net figure of Receipts of ₹2,665 crore (including ₹2,380 crore back-to-back loans in lieu of GST compensation shortfall, which need not be repaid by the State Government) and repayments of ₹490 crore to GoI*

Receipts and Disbursements under components financing the Fiscal Deficit for the year 2020-21 are detailed in ***Table 2.30***.

Table 2.30: Receipts and Disbursements under individual components financing the Fiscal Deficit

(₹ in crore)

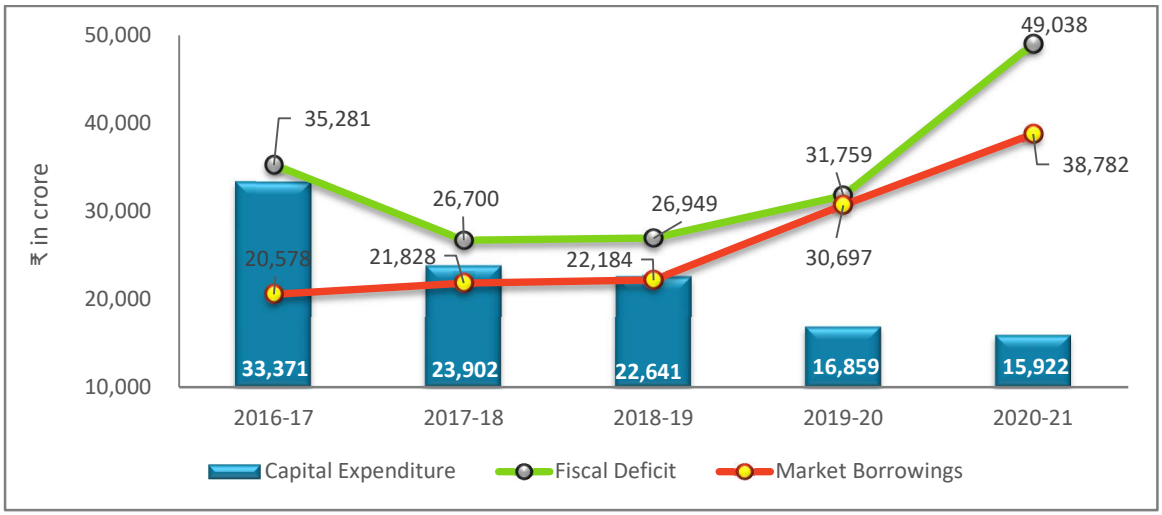
	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	43,784	5,002	38,782
2	Special Securities issued to National Small Savings Fund	0	827	(-)827
3	Loans from Financial Institutions	13	548	(-)535
4	Loans from Government of India	2,665[$]	490	2,175
5	Small Savings, PF, etc.	2,636	1,691	945
6	Deposits and Advances	66,893	61,813	5,081
7	Suspense and Miscellaneous	528	760	(-)232
8	Remittances	693	725	(-)32
9	Reserve Funds	1,188	414	774
10	Net Contingency Fund	4	0	4
11	**Overall Deficit**	**1,88,527**	**1,42,393**	**46,135**
12	Increase(-) / Decrease (+) in Cash Balance	--	--	2,903
13	**Gross Fiscal Deficit**	--	--	**49,038**

Source: Finance Accounts

[$] *This figure includes ₹2,380 crore back-to-back loans in lieu of GST compensation shortfall, which need not be repaid by the State Government*

In 2020-21, Capital Expenditure accounted for only 41.06 *per cent* of Market Borrowings and 32.47 *per cent* of Fiscal Deficit (***Table 2.29***). It may also be noted that 79.09 *per cent* of the Fiscal Deficit was financed from Market Borrowings.

Chart 2.19: Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings



Source: Finance Accounts

Ideally, market borrowing should be utilised for creation of capital assets through Capital Expenditure. Up to 2018-19, the market borrowings were lesser than Capital expenditure indicating that market borrowings could have been fully utilised for creation of Capital Assets. However, during the past two years, we noticed that Market borrowings were utilised for purposes other than creation of capital assets i.e., to finance Fiscal Deficit. Further, utilisation of market borrowings for financing Fiscal Deficit was much higher in 2020-21.

2.7.2 Off-Budget Borrowings

Off-Budget Borrowing or off-budget financing generally refers to use of those financial resources by the Government for meeting expenditure requirements in a particular year or years, which are not reflected in the budget for that year/ those years for seeking Grant/Appropriation and remains outside legislative control. These are generally financed through Government owned or controlled Public Sector Undertakings or departmental commercial undertakings, which raise resources through the market on behalf of the Government. The Government would, however, repay the debt and/or service the debt from its budget. Therefore, off-budget borrowings/financing involves (a) payment of interest on recurrent basis and (b) repayment of the borrowings from budget as and when it is due.

As mentioned in ***paragraph 2.7.1*** earlier, the Fifteenth Finance Commission, in paragraph 2.53 of its report (November 2019), noted the tendency of the Union and State Governments to borrow outside the Consolidated Fund, leading to accumulation of extra-budgetary liabilities. The Union Budget 2019-20 has disclosed extra-budgetary resources, however, such disclosures are not available for the States as a whole. Hence, it recommended that, in the interest of transparency, both the Union and States need to make full disclosure of extra-budgetary borrowings. It also recommended that the outstanding extra-budgetary liabilities need to be clearly identified and eliminated in a time-bound manner with transparent reporting of deficit and debt. Such disclosure is also important in

view of the definition of "total liabilities" in the State FRBM Act, which include the borrowings by Public Sector Undertakings and the Special Purpose Vehicles and other equivalent instruments including guarantees where the principal and / or interest are to be serviced out of State budgets.

Government of Telangana has been intimating the State Legislature over the last few years during presentation of Budget that it would implement certain flagship socio-economic schemes like Mission Bhagiratha, Kaleshwaram Project, Two bed-room Housing scheme etc., through OBB. However, it has neither quantified the exact quantum of such borrowings in the Budget nor provided specific disclosure relating to the entities through which it planned to channelise extra budgetary resources. Thus, the full disclosure of Off-Budget / Extra-budget borrowings / liabilities as recommended by the Fifteenth Finance Commission has not been made in the budget documents for the year 2020-21.

In order to ascertain the extent of such Off-Budget Borrowings / Extra Budgetary Resources, we addressed the State Public Sector Undertakings (PSUs) / Autonomous Bodies implementing the concerned schemes/projects to provide the requisite information. 14 State PSUs and 6 ABs informed us that they had mobilized ₹21,802.87 crore during 2020-21 and ₹1,11,898.69 crore to the end of March 2021 from various Banks on behalf of the Government, for which, principal and/or interest would be serviced out of the State Budget. Details in this regard are in ***Appendix 2.1***.

We assessed (October 2021) the quantum of Off-Budget Borrowings by mapping (i) such borrowings by State PSUs / ABs concerned on behalf of the Government, during the year and up to March 2021, (ii) Guarantees given by the State Government and (iii) financial support provided by the Government from out of its budgetary resources for paying interest / repayment of principal. While such OBBs stood at ₹1,11,898.69 crore as of March 2021, the outstanding guarantees extended by the State Government to the institutions concerned as of end of March 2021 stood at ₹96,448.02 crore. During the year 2020-21, the State Government provided an amount of ₹9,331.29 crore from out of budget towards repayment of principal and/ or payment of interest. Thus, these borrowings by the State PSUs / ABs fall within the ambit of "Total liabilities" as prescribed in FRBM Act. The State Government, however, has provided these amounts to the State PSUs / ABs concerned as 'Loans' and reflected in the Accounts of the Government as Assets, indicating that these State PSUs/ABs shall have an obligation to repay the loans to State Government. Apart from non-reporting of Off-Budget Borrowings, this also impacts the transparency of reporting financial transactions.

We, however, noted that many of the institutions do not have revenue resources to repay the loans provided by the Government. For example, the Detailed Project Report of Kaleshwaram Project stated that the project would hardly generate any revenue, as water for irrigation purposes was being provided at nominal rates (since the command area lies in the drought prone districts of Telangana) and no analysis of the revenues was made in the Detailed Project Report. Similarly, Telangana State Sheep and Goat Development Cooperative Federation Limited did not have any definite stream of revenue resource of its own and was, in fact, implementing a Government subsidy scheme.

The Government would have to shoulder the liability of repayment of Loans taken by these institutions, which are unable to generate enough resources for servicing the debts.

Further, there are other instances of Government liabilities being shouldered by PSUs/ ABs like (i) non-reimbursement of principal / interest component by the State Government to State Public Sector Companies / Corporations, Special Purpose Vehicles etc., of the loan taken by them on behalf of the State Government and (ii) Deployment of own funds by the Statutory Public Sector Companies / Corporations, Special Purpose Vehicles, etc. for execution of the Deposit work of the State Government which was to be financed by the State Government through borrowings. The total of all such Off-Budget Borrowings worked out to ₹97,940.45 crore (***Appendix 2.2***) as on 31 March 2021.

Being off-budget in nature, these borrowings do not form part of Finance Accounts. As mentioned above, State Government has also not disclosed the sources, purpose and extent of these borrowings appropriately as part of its budget documents. This means that major funding sources of Government's crucial socio-economic schemes/ projects are beyond the oversight and control of legislature.

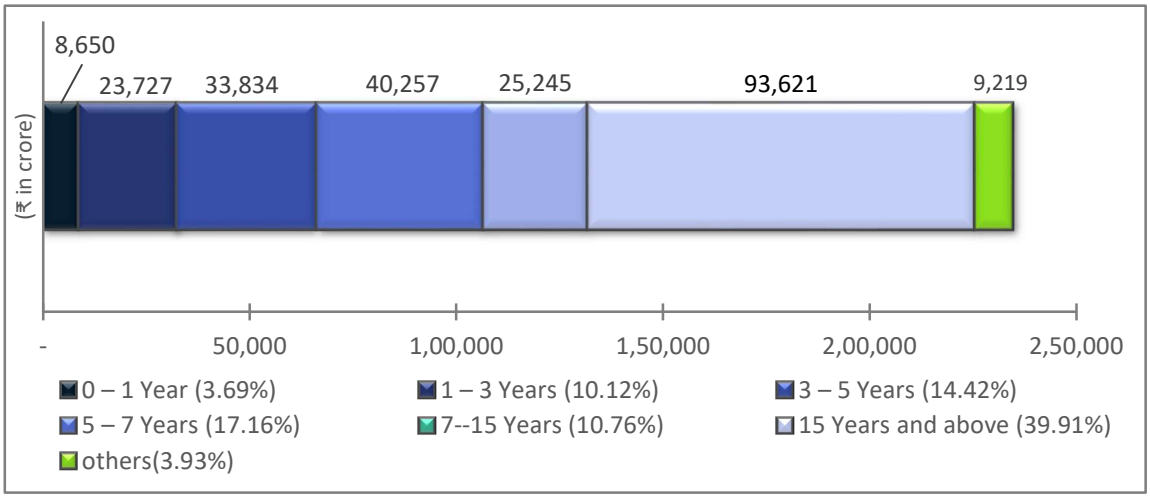
The Government stated (January 2022) that OBBs have come in to play in view of the financial restrictions for taking up development activities and that the State Government is generally utilising these OBBs for incurring Capital Expenditure alone, which is sound financial plan.

The reply is not acceptable as the FRBM norms stipulate for disclosure of all such borrowings which are serviced out of State Budget and the reply is silent about such disclosure.

2.7.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Maturity profile of Public Debt is detailed in ***Chart 2.20***.

Chart 2.20: Maturity profile of State debt



Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2021 showed that 45.86 *per cent* (₹1,06,468 crore) of the total outstanding public debt is to be repaid in next seven years. The State needs to augment its resources to meet the increasing debt repayment burden over the next seven years.

Out of ₹43,784 crore market borrowings taken during 2020-21, repayment of ₹25,823 crore is due during the years 2041-2051. This indicates that in respect of 58.98 *per cent* of the loans taken during the year, the Government has been preferring to borrow with longer maturity periods. The interest on these borrowings is ranging from 6.61 *per cent* to 7.20 *per cent*. Interestingly, the interest rates for shorter maturity periods, prior to the year 2041, are also similar ranging from 5.85 *per cent* to 7.60 *per cent*.

2.7.4 Debt Sustainability

Debt sustainability is defined as the ability of the State to service its debt now and in future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to maintain balance between costs of additional borrowings, with returns from such borrowings. ***Table 2.31*** analyses the sustainability of debt of the State according to generally accepted indicators:

Table 2.31: Debt Sustainability - Indicators and trends

(₹ in crore)

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt*	1,21,236	1,42,918	1,65,164	1,94,958	2,32,173$
Rate of Growth of Outstanding Public Debt	31.80	17.88	15.57	18.04	19.09
GSDP	6,58,325	7,50,050	8,60,078	9,57,207	9,80,407
Rate of Growth of GSDP	13.92	13.93	14.67	11.29	2.42
Public Debt/GSDP	18.42	19.05	19.20	20.37	23.68
Maturity profile of repayment of State Public Debt – including default history, if any	56,388	65,740	76,262	89,228	1,06,468
Average interest Rate of Outstanding Public Debt (*per cent)*	8.08	8.20	8.17	7.99	7.89
Percentage of Interest payment to Revenue Receipt	10.40	12.20	12.41	14.03	16.69
Percentage of Public Debt Repayment to Public Debt Receipts	36.94	58.65	66.85	59.72	54.47
Net Public Debt available to the State#	20,641	10,846	9,660	15,407	20,374
Net Public Debt available as *per cent* to Public Debt Receipts	63.06	41.35	33.15	40.28	48.53
Debt Stabilisation (Quantum spread + Primary Deficit)	(-)17,688	(-)8,146	(-)7,310	(-)12,577	(-) 33,487

Source Finance Accounts

* *Outstanding Public Debt is the sum of outstanding balances under the heads 6003 - Internal Debt and 6004 - Loans and Advances from the Central Government*

\# *Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt*

$ *Outstanding Public Debt does not include ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall, which is borrowed by GoI and would be serviced by it from out of GST compensation Cess and the repayment obligation need not be met from the other resources of the State*

- The ratio of outstanding Public Debt to GSDP increased from 18.42 *per cent* in 2016-17 to 23.68 *per cent* in 2020-21. The outstanding Public debt increased by 19.09 *per cent* over the preceding year, at significantly higher rate than the growth of GSDP, which grew by 2.42 *per cent*.
- The average interest rate of outstanding public debt has decreased marginally during the past four years from 8.20 *per cent* in 2017-18 to 7.89 *per cent* in 2020-21. However, this must be viewed in the background that the State Government has been obtaining borrowings with very long maturity periods. Further, there was no evidence on record to show that the Government has made any financial impact study for long maturity borrowings with marginally lesser interest rates.
- After providing for Public Debt Repayments (₹76,991 crore) and interest payments (₹16,841 crore) out of Public Debt Receipts (₹1,14,206 crore), the Net Public Debt available for other purposes was ₹20,374 crore (17.84 *per cent*). Net Public Debt available as a *percentage* of Public Debt receipts has been increasing considerably during the past three years indicating better availability of funds for development activities. However, during the past two years, the State registered Revenue Deficit, as a result of which, the Net Public Debt available was absorbed to that extent.
- The total outstanding debt and total outstanding public debt of the State Government at the end of 2020-21 was ₹2,78,018 crore and ₹2,34,553 crore as shown in the Finance Accounts 2020-21. During the year 2020-21, the State Government has received GST compensation of ₹3,103 crore as GIA from the GoI. Besides, due to inadequate balance in GST Compensation fund, shortfall in GST compensation was provided to the State as back to back loan of ₹2,380 crore which is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources.
- Due to this arrangement, the revenue deficit of ₹22,298 crore and fiscal deficit of ₹49,038 crore of the State Government as depicted in the Finance Accounts 2020-21 should therefore, be read in conjunction with receipt of GST compensation of ₹2,380 crore as back to back loan with no repayment obligation on the State resources.

2.7.4.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Details of utilization of borrowed funds is shown in ***Table 2.32***.

Table 2.32: Utilisation of borrowed funds

(₹ in crore)

Sl. No.		2016-17	2017-18	2018-19	2019-20	2020-21
1	Total Borrowings	91,902	1,06,641	1,17,715	1,43,870	1,85,123#
2	Repayment of earlier borrowings (Principal) (*percentage*)	59,551 *(64.80)*	78,203 *(73.33)*	91,080 *(77.37)*	1,08,652 *(75.52)*	1,41,666 (76.53)
3	Net Capital Expenditure (*percentage*)	33,371 *(36.31)*	23,902 *(22.41)*	22,641 *(19.23)*	16,859 *(11.72)*	15,922 (8.60)
4	Net Loans and Advances (*percentage*)	3,246 *(3.53)*	6,071 *(5.69)*	8,640 *(7.34)*	8,638 *(6.00)*	10,810 (5.84)
5	Portion of Revenue Expenditure that was met out of net available borrowings* (=1-2-3-4) (*percentage*)	(-)4,266 *(-4.64)*	(-)1,535 *(-1.44)*	(-)4,646 *(-3.95)*	9,721 *(6.76)*	16,725 (9.03)

Source: Finance Accounts

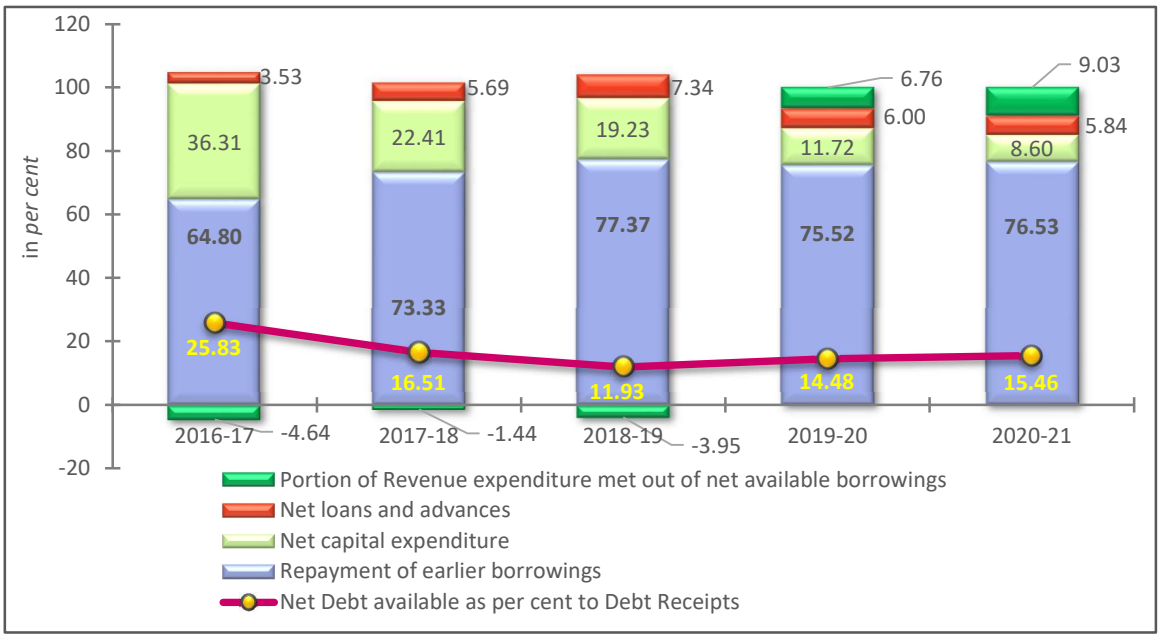
Outstanding Public Debt does not include ₹2,380 crore of back-to-back loans in lieu of GST compensation shortfall, which is borrowed by GoI and would be serviced by it from out of GST compensation Cess and the repayment obligation need not be met from the other resources of the State

* *Negative figures indicate that there was Revenue Surplus in those years and hence Revenue Expenditure need not be met from Net available borrowings*

Total borrowings have more than doubled during the past five years. During 2020-21, borrowings have gone up by ₹41,253 crore (28.67 *per cent*) over the previous year.

Trends of utilisation of borrowed funds are shown in ***Chart 2.21***.

Chart 2.21: Trend of utilisation of borrowed funds



Source: Finance Accounts

While no Revenue Expenditure was met out of borrowed funds till 2018-19, during 2019-20 and 2020-21, the Revenue Expenditure was met out of net available borrowings. Further, this has also increased (₹7,004 crore) significantly during the year, which raises serious concerns about non-sustainability of debt.

2.7.4.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The details of outstanding guarantees given by the State Government during the period 2016-21 are shown in ***Table 2.33***.

Table 2.33: Guarantees given by the State Government

(₹ in crore)

Sl. No.		2016-17	2017-18	2018-19	2019-20	2020-21
1	Ceiling applicable to outstanding value of Guarantees including interest*	69,241	74,536	79,942	2,02,840	2,05,088
2	Outstanding value of Guarantees including interest	29,965	41,892	77,713	89,601	1,05,007

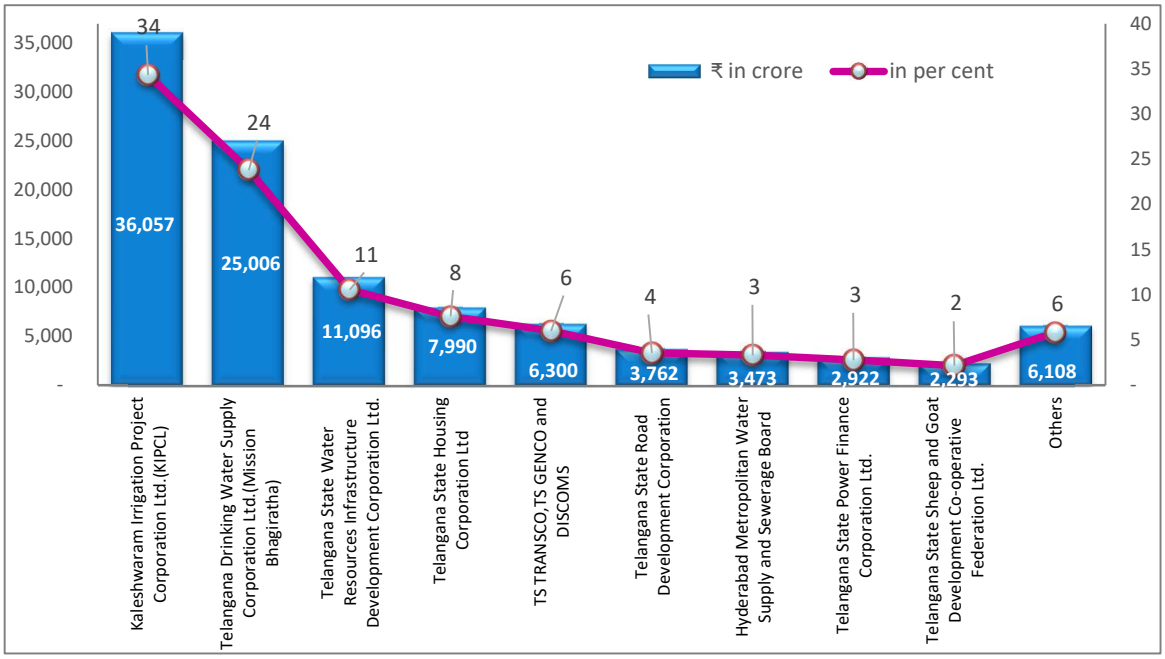
Source Finance Accounts

* *TSFRBM Act, 2005 stipulated limiting the amount of annual incremental risk weighted guarantees to 90 per cent of the total Revenue Receipts of the preceding year. This limit, however, was increased (September 2020) to 200 per cent through TSFRBM (Amendment) Act, 2020*

The outstanding Guarantees (₹1,05,007 crore) at end of March 2021 stood at 102.40 *per cent* of total Revenue Receipts of the preceding year (*i.e.,* ₹1,02,544 crore in 2019-20). The outstanding Guarantees were well within the revised (September 2020) TSFRBM ceiling of 200 *per cent*.

Out of the total loans guaranteed by the Government, 58 *per cent* pertained to only two Special Purpose Vehicles *viz*., (i) Kaleshwaram Irrigation Project Corporation Limited for implementation of Kaleshwaram Project (₹36,057 crore) and (ii) Telangana Drinking Water Supply Corporation Limited for implementation of a flagship project: Mission Bhagiratha (₹25,006 crore) as shown in ***Chart 2.22***.

Chart 2.22: Major institutions to which State Government provided Guarantees as of 31 March 2021



Source Finance Accounts

(i) Completeness of Guarantees Statement presented to Legislature by State Government:

The State Government has been presenting to the State Legislature, the list of Guarantees given by it. We noticed that there were certain discrepancies between the information presented to State Legislature by the State Government and the information furnished to us by the Public Sector Undertakings / Autonomous Bodies concerned.

- The Guarantees mentioned by the State Government to the Legislature does not include the following:

Table 2.34: Guarantees not included in the Statement placed before State Legislature along with Budget documents

Sl. No.	Institution	Amount (₹ in crore)
1	Telangana State Civil Supplies Corporation	45,000.00
2	Telangana State MARKFED	22,185.08
	Total	**67,185.08**

Source: Government Orders issued from time to time

The Government stated (November 2021) that the Guarantees provided to TSCSC etc was on a temporary basis, a facility given to them for procuring agriculture produce from the farmers during Covid-19 Pandemic to help them overcome effects of pandemic. Based on the guarantees provided by the Government, TSCSC raised loans from financial institutions and utilised these funds for purchase of agriculture products. These loans are repaid by the corporation in a period of 2-3 months on receipt of amounts from Food Corporation of India.

The reply is not acceptable as (a) Indian Government Accounting Standards clearly stipulated that even the cash credit facility and financing seasonal agricultural operations shall fall in the ambit of class (i) of the Guarantees and hence are to be disclosed and (b) the Government has been extending such guarantees to these cash credit facilities for the past few years and they are in the nature of permanent roll-overs.

- The value of Guarantees mentioned by the State Government to the Legislature were way lower in respect of the following:

Table 2.35: Cases where value of Guarantees included in the Statement placed before State Legislature along with Budget documents was way lower than the value intimated by the institutions

(₹ in crore)

Sl. No.	Institution	As informed by institution	As per Statement 20 of Finance Accounts
1	Southern Power Distribution Corporation of Telangana Limited	9,005.71	6,300.00
2	Northern Power Distribution Corporation of Telangana Limited	6,412.35	
3	Telangana State Power Generation Corporation Limited	1,051.13	
4	Transmission Corporation of Telangana Limited	2.22	
	Total	**16,471.41**	**6,300.00**

Source: Finance Accounts and information furnished by institutions concerned

In view of the definition of the term "total liabilities" as inclusive of all the liabilities under the Consolidated Fund and Public Account of the State and shall include borrowings by Public Sector Undertakings and the Special Purpose Vehicles and other equivalent instruments including guarantees where the principal and / or interest are to be serviced out of State budgets as per State Fiscal Responsibility and Budget Management (FRBM) Act, not disclosing all the Guarantees given by the State Government and / or full value of the Guarantees adversely affects the transparency of accounts and escapes Legislative oversight.

(ii) Compliance to the instructions while providing Guarantees:

The erstwhile Government of Andhra Pradesh issued (September 2003) instructions[35] to be followed while providing guarantees. Compliance of these instructions were verified.

- The Government Order required that the financial performance of the borrowing entity shall be analysed in terms of its profitability, operational strength, and financial ratios. However, Government extended Guarantees (₹3,473 crore) to loans taken by Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) whose annual accounts were in arrears for more than a decade i.e., from 2010-11 onwards.

- Government Order stipulated that the Administrative Departments in Secretariat and Heads of Departments shall evaluate the fiscal risk and classify the Guarantees as direct liability (100 *per cent* risk), high risk (75 *per cent*), medium risk (50 *per cent*), low risk (25 *per cent*) and very low risk (5 *per cent*) based on factors like (i) debt servicing through Government support, (ii) repayment schedules, (iii) financial performance of the entity, (iv) primary security, (v) valuation of assets and (vi) statutory liabilities prior to Government guaranteed debt.

  The Finance Department, in the Statement of Fiscal Policy to be laid on the table of Legislature classified (March 2021) Guarantees as under:

Table 2.36: Categorisation of Guarantees based on risk

(₹ in crore)

Sl. No.	Category	Amount
1	Medium risk	40,391
2	Low risk	45,675
3	Very low risk	18,941
	Total	**1,05,007**

Source: Statement of Government Guarantees placed before Legislature along with budget documents in March 2021

However, the Finance Department could not provide any evidence regarding the risk -evaluation or analysis of financial performance of entities conducted by the Departments concerned either for the current year or for the last year. In fact, in March 2018, the Finance Department had classified all the Guarantees as on that date (₹41,539 crore) as having direct liability.

[35] G.O.Ms.No.446, dated 29 September 2003

On the other hand, 11 Public Sector Undertakings and 6 Autonomous Bodies have informed us that they undertook borrowings (₹1,11,898.69 crore) on behalf of the Government, for which the Government Guarantees as of March 2021 stood at ₹96,448.02 crore (***Appendix 2.1***).

Further, majority of the Guarantees provided by the Government to institutions were for implementing Government schemes and in 2020-21, the Government has facilitated repayment of principal or payment of interest, *albeit,* in the form of providing further loans to those institutions indicating that the servicing of debt by these entities was exclusively through Government support. A case in point is Telangana State Sheep and Goat Development Cooperative Federation Corporation Limited, which is implementing Government schemes with financial assistance from National Cooperative Development Corporation. The institution has no revenue source and the repayments are being made with budgetary support. However, the Guarantee in this case was considered as very low risk.

All such Guarantees given to institutions which depend on Government for repayment should be treated as direct liabilities. Hence, considering them as medium, low or very low risk category is incorrect and proves the risk assessment was not done methodically.

- Further, the GO also stipulated a Guarantee Commission of 0.50 *per cent* per annum or two *per cent* consolidated for the entire guarantee period from the borrowing entity. As such, Guarantee Commission of ₹525.03 crore[36] was to be received by the Government to the end of March 2021 from 19 institutions to which Guarantees of ₹1,05,007 crore were provided. In addition, Guarantee Commission of ₹699.40 crore[37] was also receivable on ₹25,000 crore Guarantee provided to Telangana State Civil Supplies Corporation (TSCSC) and ₹9,969.93 crore Guarantees provided to TS MARKFED as per the Government Orders issued from time to time. No Guarantee Commission, however, was received during the year.

  The Government stated (November 2021) that the issue of collection of Guarantee Commission from the institutions is under consideration of the Government. However, the Government has been issuing Government Orders with a stipulation of payment of guarantee commission at the time of providing guarantees itself, including those given to TSCSC and TS MARKFED.

- Further, Telangana State Seeds Development Corporation, Hyderabad has remitted an amount of ₹6.00 crore as Guarantee Commission in December 2020. However, as per the Statement of Guarantees presented (March 2021) by the State Government to the State Legislature, as on 31 January 2021 along with Budget Documents presented, no Guarantees were given to Telangana State Seeds Development Corporation.

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[36] calculated at a rate of 0.50 *per cent* on the total guaranteed amount of ₹1,05,007 crore

[37] ₹500.00 crore Guarantee Commission from TSCSC and ₹199.40 crore from TS MARKFED (calculated at a rate of two *per cent* on guaranteed amounts of ₹25,000 crore and ₹9,969.93 crore respectively given during the year)

2.7.4.3 Management of Cash Balances

(i) Ways and Means Advances

As per an agreement with the Reserve Bank of India (RBI), the State Government has to maintain a minimum daily Cash Balance of ₹1.38 crore with the RBI. If the balance falls below the agreed minimum on any day, the deficiency is made good (i) initially by a Special Drawing Facility (SDF) against the collateral of Consolidated Sinking Fund, Guarantee Redemption Fund and Auction Treasury Bills balances and other investments in Government securities, (ii) subsequently by Ways and Means Advances (WMA) and (iii) then by Overdraft (OD) beyond WMA limits.

The limit for ordinary WMA to the State Government is revised by the RBI from time to time. The SDF can be operated up to ₹1,004.12 crore. After exhausting SDF, WMA can be operated up to another ₹1,728 crore.

Utilisation of these advances during the previous and the current years is depicted in ***Chart 2.23*** and ***Chart 2.24***:

Chart 2.23: Status of drawl of WMA during 2020-21 vis-à-vis 2019-20 - Number of days

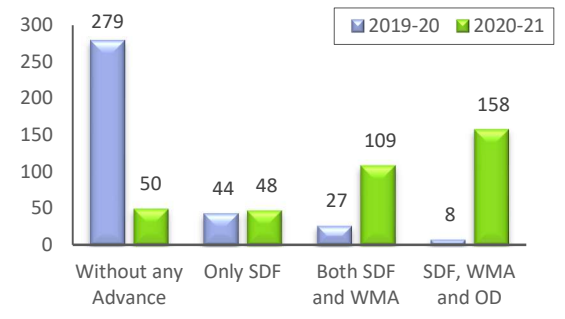
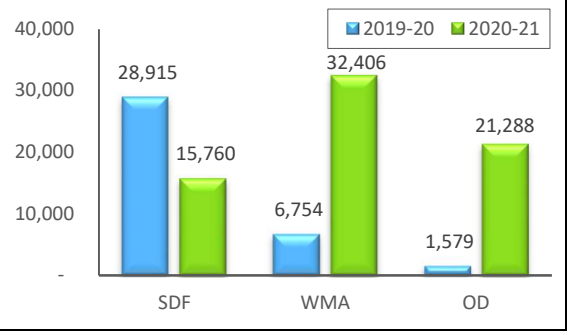


Chart 2.24: Status of drawl of WMA during 2020-21 vis-à-vis 2019-20 – Amount (₹ in crore)



Source: Finance Accounts of the years concerned

The number of days on which the State Government maintained minimum daily cash balance of ₹1.38 crore without depending on any advances during 2020-21 (50 days) has decreased considerably when compared to previous year (279 days). The number of days on which the State Government depended on all the three advances i.e., SDF, WMA and OD during the current year (158 days) was also much higher than previous year (8 days) mainly on account of Covid-19 Pandemic. The total amount of all the advances taken during the year was ₹69,453.90 crore which was also considerably higher (₹32,206.32 crore i.e., by 86.46 *per cent*) than the previous year (₹37,249.59 crore).

Dependency of the State Government on WMA increased the burden of interest payments as well. Interest payments on drawl of WMA (including SDF and OD) during 2020-21 was ₹71.28 crore as against ₹29.19 crore in 2019-20, *i.e.,* a significant increase of 144 *per cent*.

(ii) Investment of Cash Balances

The surplus Cash Balance of the State Government gets invested in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited under the Major Head '0049-Interest Receipts'.

The State Government's Cash Balances at the end of March 2021 amounted to ₹9,192.99 crore including Deposits with RBI ((-) ₹5.67 crore), investment in cash balance investment account (₹1,801.12 crore) and investment in earmarked funds (₹7,397.54 crore) *viz.* Sinking Fund (₹6,068.52 crore) and Guarantee Redemption Fund – Investment Account (₹1,324.92 crore). ***Table 2.37*** depicts the Cash Balances and their investment during the year.

Table 2.37: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Cash in treasuries	--	…
Deposits with Reserve Bank of India	(-)1,689.15	(-)5.67
Deposits with other Banks	--	…
Remittances in transit – Local	--	…
Total	**(-)1,689.15**	**(-)5.67**
Investments held in Cash Balance investment account	6,945.39	1,801.12
Total (A)	**5,256.24**	**1,795.45**
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	--	…
Permanent advances for contingent expenditure with department officers	0.31	0.34
Investment in earmarked funds	6,839.27	7,397.20
Total (B)	**6,839.58**	**7,397.54**
Total (A + B)	**12,095.82**	**9,192.99**
Interest realized	**7.98**	**7.73**

Source: Finance Accounts

The Cash Balance investments of the State during the period 2016-21 are shown in ***Table 2.38***.

Table 2.38: Cash Balance Investment Account

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2016-17	2,503.94	52.59	(-)2,451.35	40.31
2017-18	52.59	2,277.42	2,224.83	17.43
2018-19	2,277.42	1,588.95	(-)688.47	22.97
2019-20	1,588.95	6,945.39	5,356.44	7.98
2020-21	6,945.39	1,801.12	(-)5,144.27	7.73

Source: Finance Accounts

The State Government earned an interest of ₹7.73 crore during the year 2020-21 from the investments made in Government of India Securities and Treasury Bills, which was marginally lower than ₹7.98 crore earned during the previous year.

2.8 Apportionment of Assets and Liabilities between Andhra Pradesh and Telangana

As per the Andhra Pradesh State Re-organisation Act, 2014, the balances under Cumulative Capital Expenditure, Loans and Advances, Public Debt and the balances under Public account are to be apportioned between the successor States of Andhra Pradesh and Telangana.

The status of apportionment as of 31 March 2021 was as follows:

An amount of ₹1,51,349.67 crore under Capital Heads, ₹28,099.69 crore under Loans and Advances, ₹4,474.04 crore under Deposits and Advances, ₹238 crore under Suspense and Miscellaneous and ₹310.24 crore under Remittances was yet to be apportioned though nearly seven years have elapsed after State Re-organisation. Major amounts under Capital Head pertain to Major Irrigation (₹87,707.44 crore) and Roads and Bridges (₹17,182.87 crore). Major amount under Loans and Advances pertain to Loans for Housing (₹13,182.17 crore).

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

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 for the purpose in May 2014 gave recommendations for de-merger in respect of all 91 institutions. The Telangana Government was yet to take a decision in the matter as of end of March 2021, since it had concerns relating to 23 out of these 91 institutions ***(Appendix 2.3)***.

During the years 2019-20 and 2020-21, no balances were apportioned between the two States. The State Government stated (November 2021) that the apportionment was delayed due to Covid-19 Pandemic and would be finalised as early as possible.

However, the Government did not furnish any reasons as for non-apportionment prior to Covid-19 Pandemic. It also did not specifically mention whether the de-merger has been completed in respect of other 68 institutions or not.

2.9 Conclusion

The State could not achieve any of the three key fiscal targets i.e., maintenance of Revenue Surplus, targets of Fiscal Deficit to GSDP and total outstanding liabilities to GSDP. For the second consecutive year, the State registered a massive Revenue Deficit (₹22,298 crore).

Both States Own Tax Revenue and Non-Tax Revenue decreased in comparison to preceding year. The State received compensation towards revenue loss due to GST implementation, partly in the form of Grants and partly in the form of Loans. Share in central share taxes is decreasing during the past three years while the Grants-in-Aid have been increasing. The State was not in receipt of certain specific grants recommended by the XV Finance Commission.

Revenue Expenditure has increased while Capital Expenditure has decreased. There was an increase in all the components of committed expenditure within the Revenue Expenditure. Interest payments in particular, are increasingly consuming Revenue Receipts year after year. Huge capital was blocked due to delays in completion of irrigation projects.

Loans and Advances given during the year have increased. However, most were provided to institutions towards interest payments/principal repayments towards loans taken for implementing Government schemes. State Government has not discharged its commitment of ₹7,091. 65 crore for taking over losses of DISCOMs under the UDAY scheme as agreed in the tripartite agreement with Government of India and the DISCOMs as of end of March 2021.

The Government did not make statutory contributions to Consolidated Sinking Fund and Guarantee Redemption Fund. The State Government could not utilize the amounts available in State Disaster Response Fund towards Covid-19 Pandemic though Government of India facilitated such utilisation.

The Government was not fully disclosing its Off-Budget borrowings / liabilities and thereby circumventing the FRBM norms. This has the dual impact of diluting public financial management and Legislative oversight.

Outstanding debt at the end of the year has increased by 19 *per cent* over the preceding year. In fact, its growth rate was higher than that of Gross State Domestic Product or Revenue Receipts. There was no evidence on record to show that the Government has made any financial impact study for long maturity borrowings with marginally lesser/similar interest rates.

The State Government was not fully disclosing all the Guarantees given by it to various institutions. As the State registered Revenue Deficit, Market borrowings had to be used to finance Revenue Deficit and Fiscal Deficit. Utilisation of Ways and Means and Advances has increased significantly in the current year.

There is no progress in apportionment of Assets and Liabilities between Andhra Pradesh and Telangana.

2.10 Recommendations

i. *State Government needs to mobilise additional revenue resources to fund its various socio-economic developmental schemes to avoid financing of revenue expenditure through debt .*

ii. *Capital expenditure needs to be increased significantly for asset creation and provide needed stimulus for economic growth.*

iii. *State Government needs to honour its commitments with regard to UDAY scheme to ensure financial and operational turnaround of State DISCOMs.*

iv. *State Government needs to disclose properly its off-budget borrowings by way of loans taken through Special Purpose Vehicles/ Public Sector Undertakings/ Autonomous*

Bodies for implementation of Government schemes, to ensure transparency and accountability with regard to fund management and compliance with TSFRBM norms.

v. *State Government should invariably contribute to the statutory reserve funds like Consolidated Sinking Fund and Guarantee Redemption Fund.*

vi. *The State Government should fully disclose all the Guarantees given by it, including cash credit facility as per Indian Government Accounting Standards -1.*

Chapter 3
Budgetary Management

Chapter 3 Budgetary Management

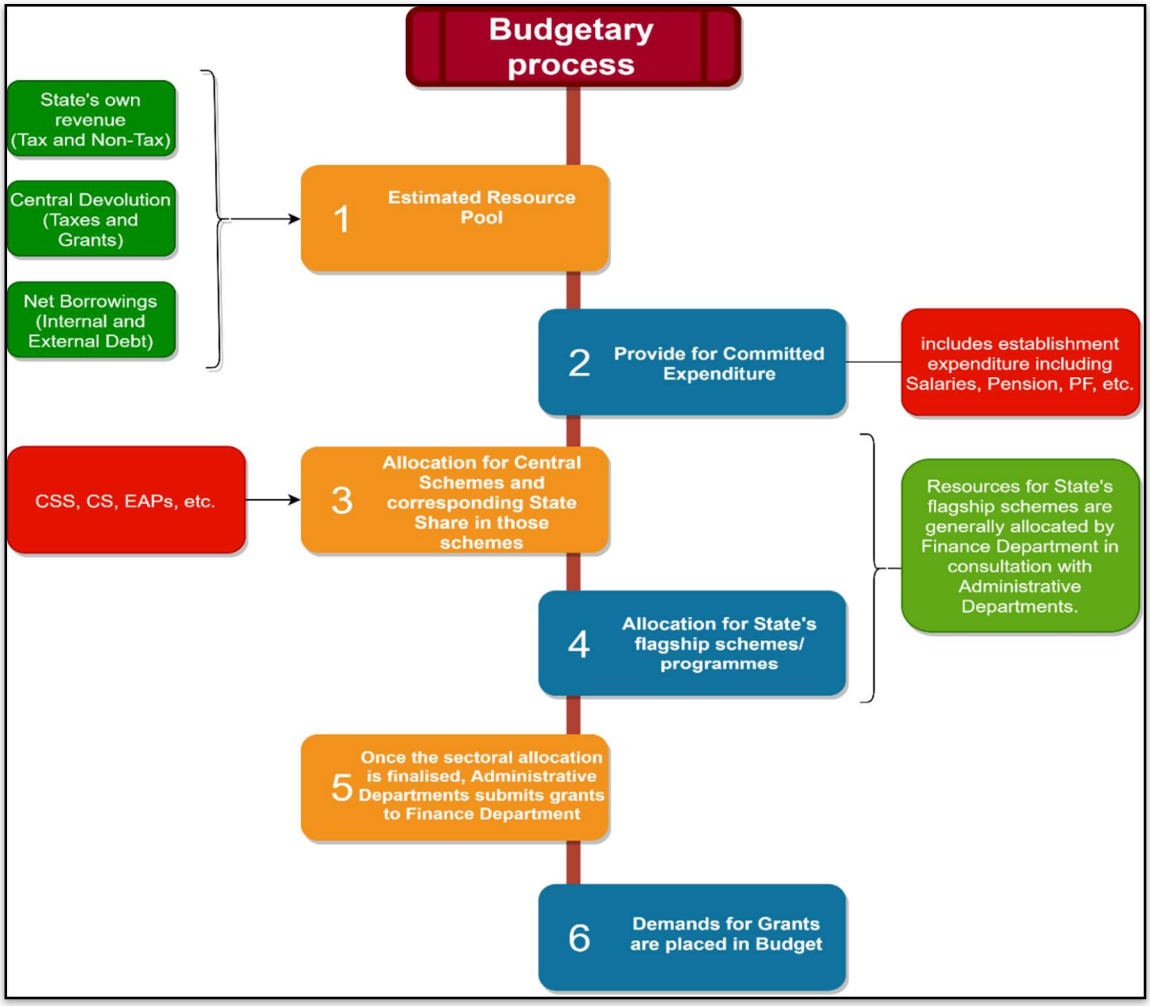
3.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness in its implementation.

3.2 Budget preparation process

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

Chart 3.1: Budget preparation process



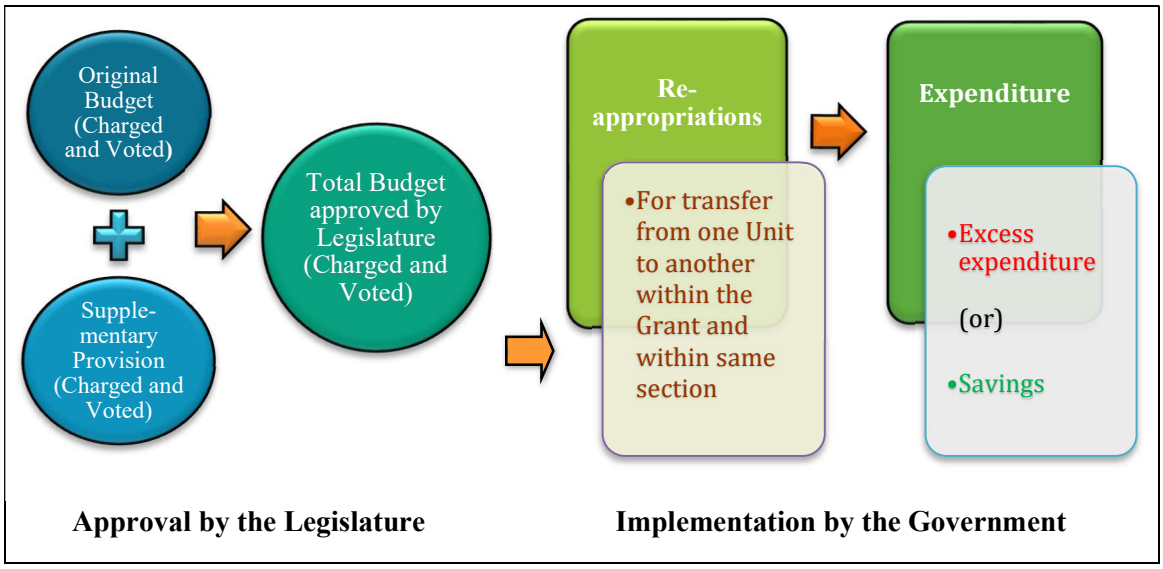
Source: Based on procedures prescribed in Budget Manual and instructions of the State Government

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

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

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

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



Source: Based on procedures prescribed in Budget Manual

3.2.1 Sub-Budgets

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

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

3.2.1.2 Special Development Fund

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

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

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

3.2.2 Outcome/Performance Budget

As per Budget Manual, Performance Budget is a comprehensive operational document, conceived, presented and implemented in terms of programmes, projects and activities with their financial and physical aspects closely interwoven. Performance budget seeks to present the purposes and objectives for which funds are requested, the cost of various programmes and activities proposed for achieving these objectives and quantitative data measuring the work performed, services rendered or results accomplished under each programme and activity.

Since the introduction of the Outcome Budget from 2005-06 by the Union Government, Ministries and Departments are required to link their outlays to outputs and outcomes. The Thirteenth Finance Commission has suggested preparing Outcome Budgets at the level of actual spending and its consideration at the relevant level of Government. It also suggested the State Government could prepare Outcome Budgets in respect of expenditures incurred directly by them.

The State Government places demands for 40 Grants before the Legislature every year. Out of the 40 Grants, Outcome Budgets are prepared in respect of 37 Grants[1]. On review of Outcome Budgets, we noticed that no mention of projected outcomes or their achievements was made in respect of five Grants[2]. In respect of 32 Grants, though physical targets and their achievements were mentioned, the achievement against the projected outcomes was not mentioned.

3.3 Appropriation Accounts

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

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

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

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

3.3.1 Audit of Appropriations

Audit of Appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various Grants/Appropriations is within authorisations given under the Appropriation Act and that the expenditure required to be charged under provisions of the Constitution, is so charged. It also ascertains whether expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts

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

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

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

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

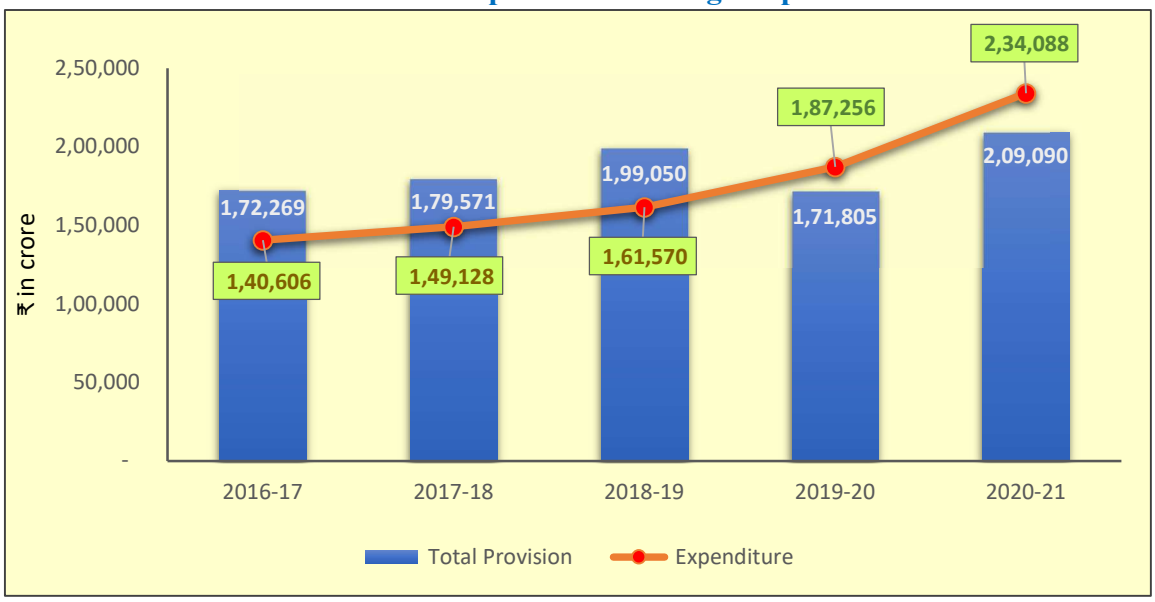
- The State Government also incurred an unauthorised expenditure of ₹1,247.27 crore without any provision in the Budget during 2020-21 at sub-head level (***refer paragraph 3.4.1***).

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

3.3.3 Utilisation of total budgeted provisions

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

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



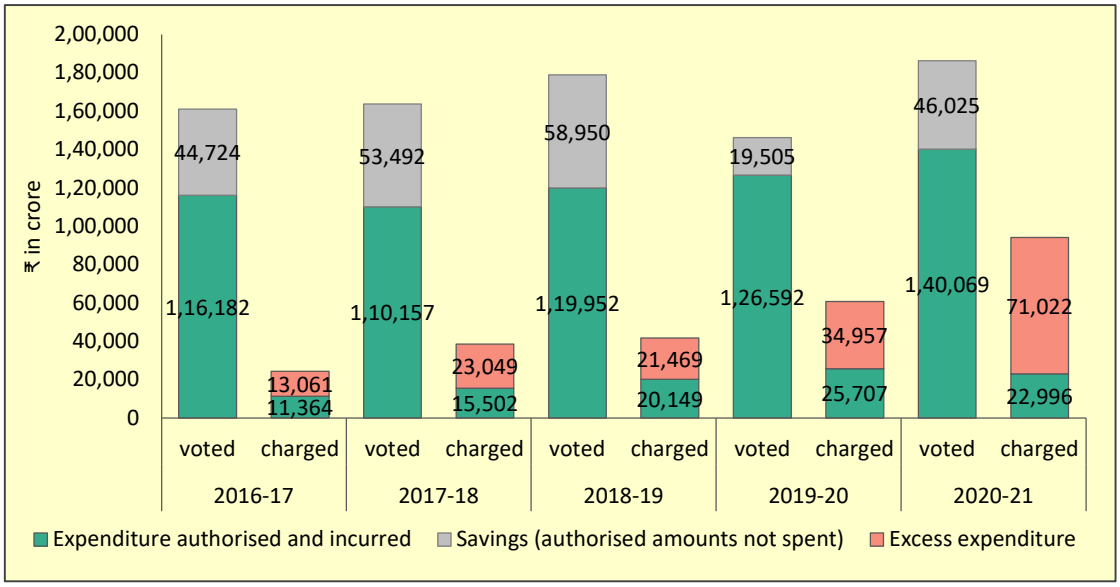
Source: Appropriation Accounts of the years concerned

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

3.3.4 Trend of Charged and Voted expenditure

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

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



Source: Appropriation Accounts

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

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts

3.3.5 Lack of explanation for variation from Budget

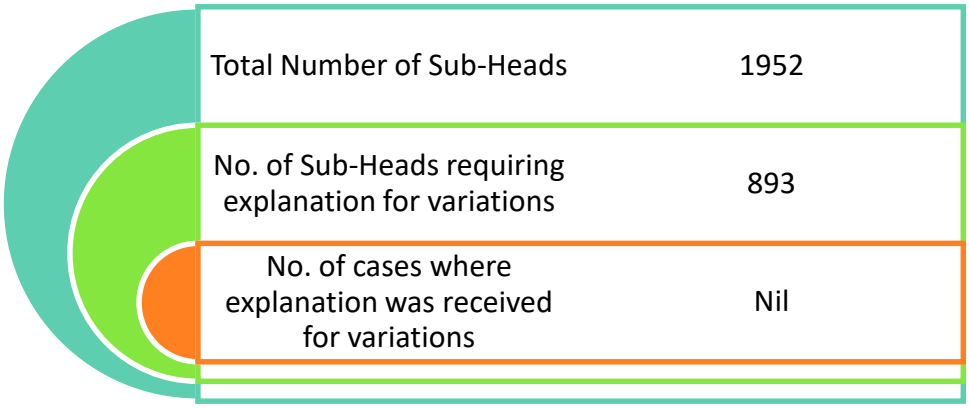
Appropriation Accounts provide explanations for comments on excess expenditure or savings where the excess or savings at Sub-Head level varies beyond the limits set by the Public Accounts Committee.

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

Savings	(a) When the overall saving under a Grant/charged Appropriation is less than 5 *per cent* of total provision, no comment is necessary. However, if the total provision under a Grant/Appropriation is ₹500 crore and above, comments on savings/excess under individual subheads are included when the saving/excess under individual subheads exceeds 10 *percent* of the provision or ₹100 lakh, whichever is higher. (b) When the overall saving under a Grant or charged Appropriation is 5 *per cent* or above of the total provision, comments on saving/excess against individual subheads are included when the saving/excess under individual subheads exceeds 10 *per cent* of the provision or ₹50 lakh, whichever is higher.
Excess	(a) When there is overall excess under a Grant/Appropriation even by a rupee, it requires regularisation by the Legislature. (b) Comments on excess under individual sub-heads are included only when the excess under individual sub-heads is ₹25 lakh and above. (c) Comments on savings (in excess Grant) under individual sub-heads are included when the saving under individual sub-heads exceeds 10 *per cent* of the provision or ₹50 lakh, whichever is higher.

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

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



Source: Appropriation Accounts

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

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

3.4 Integrity of budgetary and accounting process

3.4.1 Expenditure incurred without authority of law

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

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

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

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

Source: Appropriation Accounts

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

Table 3.4: Expenditure without Budget provision during 2020-21

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

Source: Appropriation Accounts

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

(i) 'Subvention from Central Road Fund' (₹253.29 crore) under Grant No. XI - Roads, Buildings and Ports;

(ii) 'Amount Allocable to successor State of TS' (₹202.19 crore) under Grant No. IX - Fiscal Administration, Planning, Surveys and Statistics;

(iii) 'Special assistance to Capital works (₹157.55 crore) under Grant No. XI - Roads, Buildings and Ports;

(iv) 'Medical Reimbursement of all types of Pensioners' (₹155.16 crore), under Grant No. IX – Fiscal Administration, Planning, Surveys and Statistics; and

(v) State Finance Commission (SFC) Grants to Gram Panchayats (₹117.45 crore) under Grant No. XXXI - Panchayat Raj

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

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

3.4.2 Excess expenditure and its regularisation

As per Article 204 (3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriations made by law passed in accordance with the provisions of this Article. Further, Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. Thus, it is mandatory for a State Government to get excesses over Grants/Appropriations regularised by the State Legislature for the Financial Year.

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

3.4.2.1 Excess expenditure in current year

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

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

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

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

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts

Except Interest on State Development Loans, all the remaining excess expenditures pertains to the pensions on account of allocation between the States of Andhra Pradesh and Telangana consequent to Andhra Pradesh Reorganisation Act, 2014[3]. Interest on State Development Loans is a predeterminable item of expenditure that can be estimated with reasonable accuracy.

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

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

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

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

Table 3.6: Significant items of excess expenditure under various Grants

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

Source: Appropriation Accounts

Box 3.1: Irrigation projects with excess expenditure

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

3.4.2.2 Excess expenditure requiring regularisation

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

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

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

Table 3.7: Details of excess expenditure to be got regularised

(₹ in crore)

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

Source: Appropriation Accounts of years concerned

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

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

3.4.3 Unspent Provisions / Large savings

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

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

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

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

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

In respect of irrigation projects, major savings occurred in Kaleshwaram projects[5], Sita Rama Lift Irrigation Scheme[6] and J. Chokka Rao Lift irrigation Scheme[7].

Box 3.2: Low expenditure on maintenance of Irrigation Projects

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

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

[5] Budget Provision ₹7,952.34crore, Expenditure - ₹4,076.82crore, Savings - ₹3,875.52 crore
[6] Budget Provision ₹931.69 crore, Expenditure - ₹122.13 crore, Savings - ₹809.56 crore
[7] Budget Provision ₹307.42 crore, Expenditure - ₹114.80 crore, Savings - ₹192.62 crore

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

3.4.4 Persistent trends

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

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

3.4.4.1 Persistent Excess Expenditure

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts of the years concerned

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

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

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

3.4.4.2 Persistent Savings

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

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

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

Source: Appropriation Accounts of the years concerned

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

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

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

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

Source: Appropriation Accounts of the years concerned

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

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

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

3.4.5 Supplementary Grants

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

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

- Under 22 Sub-heads in 17 Grants, the entire Supplementary Provision of ₹241.42 crore approved by Legislature was withdrawn, indicating that the purposes for which Supplementary Provision was obtained were not taken up during the year. Out of these, the major items were Loans from Telangana Transco Bonds (₹133.80 crore), Special Central Assistance for Scheduled Castes Component Plan (₹27.71 crore) and Acquisition/Alienation of land for NIMZ (₹20.00 crore).
- In 50 cases, Supplementary Grants of ₹21,796.96 crore (Rupees one crore and above in each case) *i.e.,*83 *per cent* of total Supplementary Grant (₹26,131.35 crore) was either unnecessary or excessive. On the other hand, in 16 cases, the Supplementary Grant of ₹4,247.08 crore fell short by 95 *per cent* of the requirement of ₹85,749.31 crore[8] and proved insufficient.

Table 3.11: Unnecessary / Excessive / Insufficient Supplementary Provision

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

Source: Appropriation Accounts

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

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

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

(₹ in crore)

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

Source: Appropriation Accounts

Further, the following were also observed:

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

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

3.4.6 Re-appropriations

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

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

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

3.4.6.1 Irregular Re-appropriations

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

However, in contravention of the above provision, ₹582.71 crore was provided through Re-appropriation orders, in respect of 29 Sub-Heads in 10 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items of Re-appropriation were Subvention from Central Road Fund[9] and Amount Allocable to successor state of Telangana[10] (also refer to ***paragraph 3.4.1*** for expenditure incurred without authority of law).

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

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

3.4.6.3 Re-appropriations at the fag end of the year

As per the provision of Para 17.2.2 of the Budget Manual, all savings, when they come to notice, are to be immediately surrendered with full explanation as to how they came about. However, out of the total Re-appropriation/ Resumption orders[11] issued by the Finance Department for overall reduction of provision by ₹51,102.14 crore, only four Re-appropriation orders for a reduction of ₹116.09 crore were issued before 31 March 2021. All the remaining re-appropriation orders for ₹50,986.05 crore (99.77 *per cent*) were issued on the last day of the financial year.

3.4.6.4 Re-appropriations without specific reasons

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

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[9] Reappropriation: ₹195.50 crore, Expenditure: ₹253.29 crore
[10] Reappropriation: ₹148.20 crore, Expenditure: ₹202.19 crore
[11] ₹11,871.42 crore for augmentation of the provision and ₹62,973.56 crore for reduction

3.4.7 Special Development Fund

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

Government allocated ₹16,534.97 crore[12] and ₹9,771.28 crore[13] to SCSDF and STSDF respectively from the total outlay of Pragathi Paddu (₹1,04,612.62 crore) in 2020-21. The allocations account for 15.81 *per cent* and 9.34 *per cent* under SCSDF and STSDF respectively, which were marginally higher than the norms prescribed by the Act.

However, 40 *per cent* and 37 *per cent*[14] of the allocated funds under SCSDF and STSDF respectively were not utilised.

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

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

(in *per cent*)

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

Source: Appropriation Accounts of respective years

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

3.4.8 Transfers to Other Deposit Accounts

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

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

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

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

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

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

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

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

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

3.4.9 Misclassification of Expenditure

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

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

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

2014, Telangana State Power Finance Corporation Limited[15] was incorporated on 31 July 2014 for the State of Telangana. The main object of the Company was to support / augment the resources for financing the power sector. Out of the outstanding liability of ₹5,894.60 crore through Andhra Pradesh Power Finance Corporation Bonds, a liability of ₹3,509.60 crore was allocated to Government of Telangana.

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

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

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

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

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

3.4.9.2 Classification of Revenue expenditure under Capital

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

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

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

(ii) Classification of surgical consumables under Capital

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

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

(iii) Classification of Minor works under Capital

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

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

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

(iv) Expenditure booked under capital

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

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

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

Table 3.14: Revenue Expenditure classified under Capital Section

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

Source: Appropriation Accounts

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

3.4.9.3 Classification of Capital expenditure under Revenue

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

Table 3.15: Capital Expenditure booked under Revenue Section

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

Source: Appropriation Accounts

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

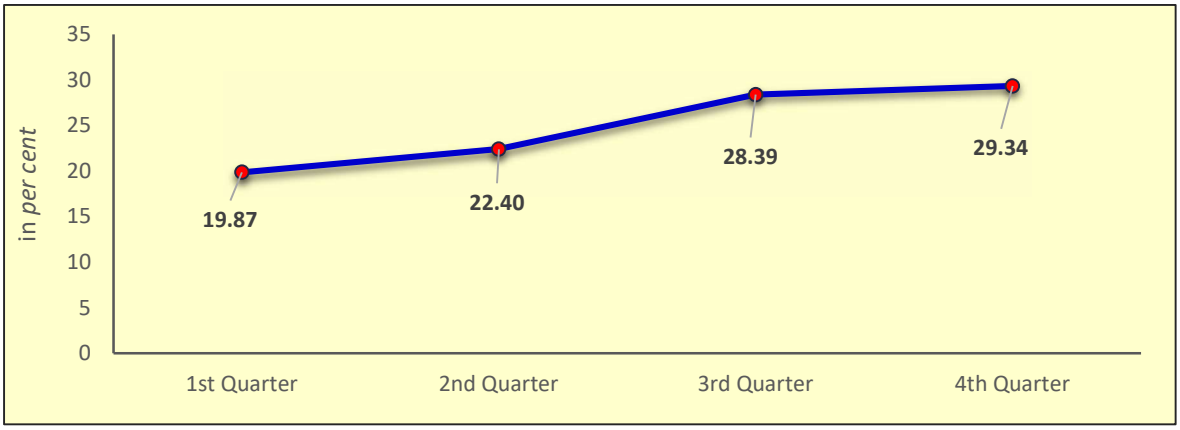
3.5 Effectiveness of budgetary and accounting process

3.5.1 Rush of expenditure

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

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

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



Source: Appropriation Accounts

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

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

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

3.5.2 Review of selected Grants

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

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

(₹ in crore)

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

Source: Appropriation Accounts

3.5.2.1 Grant V–Revenue, Registration and Relief

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

(i) Supplementary provisions

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

(ii) Re-appropriation / Resumption Orders

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

(iii) Covid-19 Pandemic

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

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

(₹ in crore)

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

Source: Appropriation Accounts

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

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

(iv) National Land Record Management Programme

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

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

(v) State Disaster Response Fund

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

(vi) Land Administration

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

3.5.2.2 Grant XXII–Tribal Welfare

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

(i) Supplementary provisions

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

(ii) Re-appropriation / Resumption Orders

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

(iii) Entire amounts remain unspent

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

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

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

(iv) Major Savings on Schemes

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

- **Scheme for Debt relief to farmers:** An amount of ₹565.23 crore was provided in the budget. Out of this, only an amount of ₹19.36 crore was spent resulting in saving of ₹545.87 crore.

- **Construction of Two Bed Room Houses for urban poor:** An amount of ₹300.00 crore was provided in the budget. Out of this, only an amount of ₹13.62 crore was spent resulting in savings of ₹286.38 crore.

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

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

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

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

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

- **Scholarships (RTF):** An amount of ₹193.00 crore (₹191.25 towards State Sector Schemes and ₹1.75 crore towards Centrally Sponsored schemes) was provided

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

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

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

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

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

3.5.3 Advances from Contingency Fund

Contingency Fund of the State was established under Article 267 (2) of the Constitution. It has a corpus of ₹50 crore and is in the nature of an imprest placed at the disposal of the Governor to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, where upon the advances from the Contingency Fund are recouped to the Fund.

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

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

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

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

In the year 2020-21, the Government, however, opened six new sub-heads[16] (under the Revenue Section), without prior concurrence of the AG (A&E). Original provision made under these sub-heads was ₹52.20 crore. Including supplementary provision of ₹9.00 crore, the total provision was ₹61.20 crore. Against this, an expenditure of ₹55.02 crore was incurred.

3.6 Conclusion

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

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

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

3.7 Recommendations

i. *The State Government needs to get the excess expenditures since 2014-15 regularised by the State Legislature on priority.*

ii. *State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources to avoid huge and persistent savings on welfare and development activities.*

iii. *State Government shall ensure that supplementary provisions are fully utilised and that no amounts approved under supplementary provision remain unspent.*

iv. *State Government may ensure that prior concurrence is obtained from Accountant General (A&E) for opening new Sub-Heads/Detailed Heads of accounts.*

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

Chapter 4

Quality of Accounts and Financial Reporting Practices

Chapter 4 Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system with relevant and reliable information contributes significantly to the efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

This Chapter provides an overview on the quality of Accounts and compliance of the State Government's financial reporting practices with prescribed financial rules, procedures and directives regarding completeness, transparency, measurement and disclosure.

Issues related to completeness of Accounts

4.2 Funds outside Government Accounts

Audit of Finance Accounts revealed that monies pertaining to a Fund established by the State Government in the Public Account were lying outside the Government Account as detailed below.

4.2.1 State Compensatory Afforestation Fund

Compensatory Afforestation Fund Act, 2016 (CAFA) and Compensatory Afforestation Fund Rules, 2018 provide for administration of amounts received for compensatory afforestation activities by State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA). The Authority is to administer the amount received and utilise the monies for undertaking compensatory afforestation activities.

In accordance with the Act *ibid*, the Telangana Government established (February 2019) a Reserve Fund[1] "State Compensatory Afforestation Fund (SCAF)" under Public Account.

The following shall be credited into the State Compensatory Afforestation Fund in the Public Account of the Government.

i. Unspent balances of all monies which have been transferred by National Ad-hoc Authority[2] to the State CAMPA (erstwhile State Authority during combined State of Andhra Pradesh);
ii. All monies transferrable from National Fund[3];

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[1] In interest bearing section under Major Head of Account 8121- General and other Reserve Funds followed with Minor Head of Account 129

[2] Ad-hoc Authority means the Ad-hoc Compensatory Afforestation Fund Management and Planning Authority constituted under the orders of the Supreme Court for functioning till the Compensatory Afforestation Fund Management and Planning Authority becomes operational and which was centrally pooling the money recovered on behalf of the said Authority lying in the States and Union territories

[3] National Fund means the National Compensatory Afforestation Fund established under sub-section (1) of section 3 of the Compensatory Afforestation Fund Act, 2016

iii. All monies realised from user agencies by the State towards Compensatory afforestation, additional compensatory afforestation, penal compensatory afforestation, Net Present Value, Catchment area Treatment plan etc.; and

iv. The funds recoverable from user agencies by State in case where diverted forest land falls within the protected areas.

Further, Grants-in-Aid received, loans taken, or borrowings made, or any other sums received by State CAMPA shall also be credited into the State Compensatory Afforestation Fund.

We observed the following:

- As per CAFA, the unspent balances of all monies which have been transferred earlier by the National Ad-hoc Authority to the State CAMPA would be credited to SCAF. Ministry of Environment, Forest and Climate change (MoEF&CC) permitted (September 2018)[4] to execute activities approved in the Annual Plan of Operation till the end of 2018-19. Subsequently time was extended till 30 June 2019[5] and it was requested that any unspent amount as on 30 June 2019 shall be transferred to the respective interest-bearing Public Account of the respective States as per the Act.

  As per the information furnished by the Government, an amount of ₹100.59 crore was released from National Ad-hoc Authority prior to inception of the CAFA. This amount was required either to be spent on activities approved in Annual Plan of Operation or credited to SCAF. Instead, the State CAMPA (i) released an amount of ₹69.61 crore to field offices up to June 2019; (ii) refunded ₹25.00 crore to Hyderabad Metropolitan Development Authority; and (iii) retained remaining balance of ₹5.98 crore in a Nationalised Bank. The Principal Chief Conservator of Forests informed (October 2021) that the entire amount of ₹69.61 crore released to field offices, up to June 2019, has been expended by March 2021. The reply indicates that the unspent amounts as of June 2019 were not credited to State Compensatory Afforestation Fund as directed by the MoEF&CC and as stipulated under the Act. The same was kept outside the public account and used subsequently.
- During the period from 2019-20 to 2020-21, an amount of ₹3,110.38 crore[6] was credited (August 2019) into Telangana State Compensatory Afforestation Fund by Government of India. During the years 2019-20 and 2020-21 amounts of ₹501.26 crore and ₹352.07 crore were drawn and ₹260.60 crore and ₹378.45 crore were spent, respectively. As of March 2021, an amount of ₹269.07 crore[7], was kept in a Nationalised Bank account, outside the public account, which is against the provisions of CAFA. The fund balance as of 31 March 2021 was ₹2,257.05 crore.

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[4] F No. 11-100/2015-FC (Vol. III) MoEF&CC (FC division), Government of India, New Delhi dt. 28.09.2018

[5] F No. 11-100/2015-FC (Vol. III) MoEF&CC (FC division), Government of India, New Delhi dt. 05.04.2019

[6] Being 90 *per cent* of the funds, available with ad-hoc Authority prior to formation of the Fund, transferrable to State Compensatory Afforestation Fund as per the Compensatory Afforestation Fund Act 2016. The remaining 10 *per cent* was to be with National Compensatory Afforestation Fund

[7] Including previous and current years' unspent balances and interest accrued in Banks

The Government replied (January 2022) that as per para 26 of State Compensatory Afforestation Fund Act, the State Authority may invest funds available in the SCAF in the securities of the Central Government and in scheduled banks in such manner as prescribed. The funds are deposited in the banks as per Fund Guidelines and fund deposits have earned interest which will be spent / capitalised with other funds.

The reply is not acceptable as (i) there was a still balance of ₹2,257.05 crore in the SCAF, which was not invested and (ii) amounts were kept in operational accounts of Nationalised Banks with linked Terms Deposits / Flexi Fixed Deposits Accounts indicating that these funds are not invested but being deposited in Fixed Deposits as an interim arrangement rather than as an investment as per para 26 of SCAF Act. Moreover, the Government did not furnish either the details of such deposits or the interest earned on it and the reasons for not remitting the same to the SCAF.

4.2.2 State Compensatory Afforestation money yet to be transferred by National Fund

As per the Accounting procedure notified by the Controller General of Accounts for State Compensatory Afforestation Fund, 90 *per cent* of the monies realised from user agencies by State towards Compensatory Afforestation, etc., were to be transferred to State Compensatory Afforestation Fund and the remaining 10 *per cent* to the National Fund. We observed that amounts of ₹102.98 crore and ₹137.97 crore received from user agencies (during 2019-20 and 2020-21 respectively) were remitted by them directly to the National Ad-hoc Authority instead of crediting 90 *per cent* to State Compensatory Afforestation Fund, on grounds that the payment gateway at State level was under establishment. As a result, ₹216.86 crore (being 90 *per cent* of the total amount remitted by user agencies), which was to be in State Compensatory Afforestation Fund, was still in the National Fund, as of March 2021.

4.3 Non-discharge of interest liability in respect of interest bearing Reserve Funds and Deposits

Funds in Public Account under Reserve Funds and Deposits sections are of two categories viz., interest bearing and not bearing interest. The State Government is, therefore, required to pay interest on un-invested balances lying under Reserve Funds and Deposits Bearing Interest. During the year 2020-21, the State Government did not discharge interest liability of ₹213.24 crore in respect of balances lying as of 1 April 2020 in the interest-bearing Reserve Funds and Deposits, as shown below:

Table 4.1: Non-Discharge of interest liability

(₹ in crore)

Sector	Sub-sector	Minimum rate of interest estimated	Balance at the beginning of 2020	Interest Due
J-Reserve Funds	State Disaster Response Fund (MH 8121-122-State Disaster Response Fund)	As per guidelines of State Disaster Response Fund, the rate of interest is the rate applicable to overdraft (2 *per cent* over Ways and Means interest rate i.e., 6 *per cent*) under Overdraft regulation Guidelines of the Reserve Bank of India	977.67	58.66
J-Reserve Funds	State Compensatory Afforestation Fund (MH 8121-129-State Compensatory Afforestation Fund)	Interest rate adopted as 6 *per cent* per annum (taking in to account the interest rate of Reserve Bank of India for overdrafts to State i.e., Repo rate 4 *per cent* + 2 *per cent*)	2,609.12	135.42*
K-Deposits and Advances	Defined Contribution Pension Scheme for Government Employees (MH 8342-117)	Interest calculated as per the rate of interest notified by the Government/payable to General Provident Fund i.e., 7.1 *per cent*	269.86	19.16
Total Interest Due				**213.24**

Source: Finance Accounts

* Calculated on ₹2,257.05 crore as an amount of ₹352.07 crore was drawn and utilised

Further, the balances under Deposits of other Autonomous Bodies and Miscellaneous Deposits (which are under the category of Deposits bearing interest) were ₹2,188.61 crore and ₹140.04 crore respectively, as of 01 April 2020. The Government did not pay interest on these deposits for the past six years.

Thus, the undischarged liability in the current year increases the burden on the Government's Revenue Expenditure at a future date.

With respect to SDRF, the Government replied (January 2022) that they have requested Accountant General (A&E) to pass adjustment entries in respect of Covid-19 expenditure during 2019-20 and 2020-21, which could not be done by Accountant General (A&E). Had the adjustment entries been passed in 2020-21 accounts, there would not be any balances under SDRF for investment.

The reply is not acceptable as the request for adjustment was made (September 2021) after completion of the accounting year whereas the audit observation was regarding the investment not made during the accounting year 2020-21. As the amounts remained with the State Government, it was liable to pay interest as mentioned in the above table.

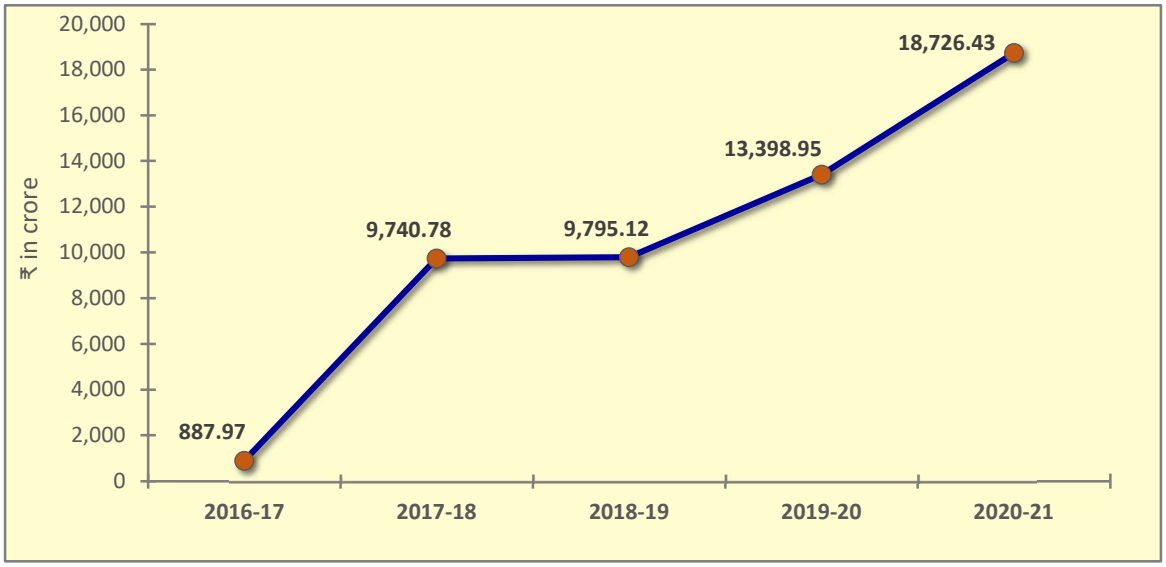
With respect to Defined Contribution Pension Scheme, the Government stated (January 2022) that the balances as on 31 March 2020 were subsequently uploaded to NSDL. The reply is not acceptable as the Government did not provide the details of such uploading. Further, there was a closing balance of ₹286.98 crore in the Defined Contribution Pension Scheme indicating that the amounts were available in the Public Account with the Government and hence it is liable to pay interest.

4.4 Funds transferred directly to State Implementing Agencies

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. However, Government of India transferred an amount of ₹53,833.12 crore directly to the State Implementing Agencies in Telangana during 2014-15 to 2020-21.

Details of direct transfer of funds to the implementing agencies during the five-year period are given in ***Chart 4.1***:

Chart 4.1: Funds transferred directly to implementing agencies during 2016-17 to 2020-21



Source: Finance Accounts

The quantum of funds transferred directly by the Central Government in 2020-21 was 2109 *per cent* of that transferred (₹887.97 crore) in 2016-17. Direct releases were more prominent in respect of Mahatma Gandhi National Rural Employment Guarantee Scheme (₹27,201.92 crore[8]) and Food Subsidy for Decentralized Procurement of Food grains under National Food Security Act (₹17,731.68 crore[9]), Pradhan Mantri Kisan Samman Nidhi Scheme (₹4,740.24 crore[10]), Member of Parliament Local Area Development Scheme (₹375.00 crore[11]) and Rashtriya Gokul Mission (₹108.75 crore[12]).

During 2020-21, Government of India released ₹18,726.43 crore directly to the State Implementing Agencies in Telangana. Details of all such direct transfers are available in

[8] (i) 2016-17 (₹390.15 crore), (ii) 2017-18 (₹5,094.03 crore), (iii) 2018-19 (₹6,375.93 crore), (iv) 2019-20 (₹6,335.90 crore), and (v) 2020-21 (₹9,005.92 crore)

[9] (i) 2017-18 (₹3,853.71 crore), (ii) 2018-19 (₹2,559.31 crore), (iii) 2019-20 (₹4,439.07 crore), and (iv) 2020-21 (₹6,879.59 crore)

[10] (i) 2018-19 (₹376.85 crore), (ii) 2019-20 (₹2,176.34 crore), (iii) 2020-21 (₹2,187.05 crore)

[11] (i) 2016-17 (₹72.50 crore), (ii) 2017-18 (₹37.50 crore), (iii) 2018-19 (₹90.00 crore), (iv) 2019-20 (₹115.00 crore), and (v) 2020-21 (₹60.00 crore)

[12] (i) 2018-19 (₹45.29 crore), (ii) 2019-20 (₹29.62 crore), (iii) 2020-21 (₹33.84 crore)

Appendix-VI of the Finance Accounts. Some of the major transfers to State implementing agencies are shown in ***Table 4.2***:

Table 4.2: Major transfers directly made to State implementing agencies

Sl. No.	Scheme	Amount (₹ in crore)
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	9,005.92
2	Food Subsidy for Decentralised Procurement of Food grants under NFSA	6,879.59
3	Pradhan Mantri Kisan Samman Nidhi	2,187.05

Source: Finance Accounts

As these funds are not routed through the Consolidated Fund of the State, the Annual Accounts does not capture the flow of such funds. Thus, the State's receipts and expenditure as well as other fiscal variables and parameters derived from them, do not present the complete picture, to that extent.

4.5 Deposits of Local Funds

Local Funds pertaining to Panchayat Raj Institutions and Urban Local Bodies are maintained in State Government Accounts under Deposits section of Public Account. These accounts include the money realised under the Acts concerned and monies received by these Local Bodies as Grants from Finance Commissions of Central and State Governments. The expenditure of Gram Panchayats is towards sanitation, plantation, street lighting, etc[13], while that of Municipalities is towards water supply, sanitation, public streets, street lighting, markets, etc[14].

The details of Deposits of Local Funds are as under:

Table 4.3: Deposits of Local Funds

(₹ in crore)

Fund	Head of Account		2016-17	2017-18	2018-19	2019-20	2020-21
Urban Local Bodies							
Municipal Fund	(8448-102)	Opening Balance	707.84	942.52	1,285.66*	1,677.95	1,848.09
		Receipts	1,202.75	1,251.23	1,739.88	2,199.67	3,221.09
		Expenditure	968.07	1,103.67	1,347.59	2,029.53	2,558.55
		Closing Balance	**942.52**	**1,090.08**	**1,677.95**	**1,848.09**	**2,510.63**
Panchayat Raj Institutions							
Village Panchayat Fund	(8448-109-01)	Opening Balance	229.11	568.98	923.81*	1,453.38	1,578.70
		Receipts	1,505.06	1,739.65	1,945.25	2,897.50	3,920.30
		Expenditure	1,165.19	1,788.25	1,415.68	2,772.18	3,294.50
		Closing Balance	**568.98**	**520.38**	**1,453.38**	**1,578.70**	**2,204.50**

[13] As per Telangana Panchayat Raj Act, 2018
[14] As per Telangana Municipalities Act, 2019

Fund	Head of Account		2016-17	2017-18	2018-19	2019-20	2020-21
Mandal Praja Parishad Funds	(8448-109-02)	Opening Balance	(-)7.40	(-)45.62	101.31*	142.91	91.62
		Receipts	89.80	159.46	158.19	129.90	331.09
		Expenditure	128.02	92.10	116.59	181.19	137.05
		Closing Balance	**(-)45.62**	**21.74**	**142.91**	**91.62**	**285.66**
Zilla Parishad Funds	(8448-109-03)	Opening Balance	(-)22.58	(-)33.72	287.32*	364.09	372.90
		Receipts	139.36	206.90	203.15	265.66	203.92
		Expenditure	150.49	147.85	126.38	256.85	168.43
		Closing Balance	**(-)33.72**	**25.33**	**364.09**	**372.90**	**408.39**
Mandal Gram Panchayat for Mandal Praja Parishad	(8448-109-04)	Opening Balance	(-)0.11	(-)-0.11	(-)0.11	(-)0.11	(-)0.11
		Receipts	0.00	0.00	0.00	0.00	0.00
		Expenditure	0.00	0.00	0.00	0.00	0.00
		Closing Balance	**(-)0.11**	**(-)0.11**	**(-)0.11**	**(-)0.11**	**(-)0.11**
Total Closing Balance of Panchayat Raj Institutions Funds to the end of the year			**489.53**	**567.34**	**1,960.27**	**2,043.11**	**2,898.44**

Source: Finance Accounts

* *Opening Balance differs with the Closing Balance of previous years due to apportionment of balances between Andhra Pradesh and Telangana and is under reconciliation*

The Municipal Fund (₹2,510.63 crore) included the following:

- XIII Finance Commission Grants (₹1,060.27 crore);
- Municipal Corporation Fund (₹571.30 crore);
- Municipal Employees Salary Fund (₹295.28 crore); and
- General Funds (₹487.70 crore).

The Village Panchayat Fund (₹2,204.50 crore) included the following:

- XIII Finance Commission Grants for Gram Panchayats (₹998.29 crore);
- State Finance Commission Grants (₹835.92 crore); and
- General Funds (₹369.79 crore);

An amount of ₹2,058.56 crore, pertaining to XIII Finance Commission Grants pertaining to Local Bodies was available with State Government in Public account. This indicates that the huge amounts released under XIII Finance Commission (2010-2015) are still lying the public account without being expended, even after lapse of six years.

We recommend the State Government to encourage the local Governments to make use of funds (especially Finance Commission grants) available to them, in a timely manner.

Issues related to Transparency

4.6 Delay in submission of Utilisation Certificates

Article 211-A.2 of Financial Code stipulates that where grants are sanctioned for specific purposes with conditions attached to the utilisation of such grants in the form of specification of particular objects of expenditure or the time within which the money must be spent, or otherwise, the departmental officer concerned should furnish Utilisation Certificates to the Accountant General, certifying the fulfilment of the conditions attached to the grant.

Utilisation Certificates for 61 sanctions (amounting to ₹2,903.97 crore) accorded from April 2017 to February 2020, in respect of various schemes[15] pertaining to Municipal Administration and Urban Development Department, were not submitted as of June 2021. The year-wise details are shown in the table below:

Table 4.4: Year-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Sanctions received		UCs received		UCs due	
	No.	Amount	No.	Amount	No.	Amount
2017-18	33	4,797.51	26	4,380.75	7	416.76
2018-19	34	1,353.61	20	826.92	14	526.69
2019-20	49	2,080.31	9	119.79	40	1,960.52
Total	**116**	**8,231.43**	**55**	**5,327.46**	**61**	**2,903.97**

Source: Information furnished by Accountant General (Accounts and Entitlements)

In the absence of the utilisation certificates, it could not be ascertained whether the grants were utilised for the purposes for which they were sanctioned. Pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds. Thus, the expenditure cannot be vouched as correct or final to the extent of non-submission of utilisation certificates.

4.6.1 Recording of Grantee Institutions as 'Others'

Grants-in-Aid (GIA) during the year 2020-21 (₹54,284.10 crore) constitute 44 *per cent* of the total Revenue expenditure (₹1,23,212.38 crore) of the State. Nearly 27 *per cent* of the GIA i.e., ₹14,635.21 crore pertained to the flagship scheme 'Investment Support Scheme' (Rythu Bandhu) alone, which is aimed to support the farmers.

In the absence of details of Grantee institutions / bodies, it is not possible for the State Government and/or Accountant General (A&E) to effectively monitor the utilisation of Grants-in-Aid and the number of Utilisation Certificates outstanding against each Institution.

[15] Atal Mission for Rejuvenation and Urban Transformation, XIV Finance Commission Grants, Jawaharlal Nehru National Urban Renewal Mission and Smart Cities etc.

Grants-in-Aid are indicated at Detailed Head as '310 – Grants-in-Aid' and nature of Grants is depicted at Object Head level[16]. At few places, the State Government is indicating the name of the Grantee institutions at sub-head level. However, we observed that there was no full-fledged mechanism of giving separate code to each Institution (viz., various bodies and authorities) receiving Grants-in-Aid from the State Government. A few cases, where the details are mentioned as Others / Other GIA are shown below:

Table 4.5: Cases of releases, where details are mentioned as 'Others / Other Grants-in-Aid' under Detailed Head 310 Grants-in-Aid

(₹ in crore)

Sl. No.	Sub-Head Description	Object Head Description	Amount
1	Investment Support Scheme	Other GIA	14,635.21
2	Aasara Pensions	Other GIA	5,403.57
3	Finance Commission Grants to Panchayat Raj Bodies	Other GIA	1,846.03
4	Aasara Pensions to old age persons and widows	Other GIA	1,723.04
5	Kalyana Lakshmi	Other GIA	1,655.84
6	National Health Mission	Other GIA	1,615.75
7	Economic Support Schemes and Land Purchase Scheme	Other GIA	1,500.00
8	Finance Commission Grants	Other GIA	1,272.11
9	State Matching Grant for PR Bodies for Finance Commission	Other GIA	1,206.81
10	Insurance to Farmers	Other GIA	1,173.54
11	Financial Assistance to Beedi Workers	Other GIA	947.49
12	State Matching Grant for Finance Commission Grants	Other GIA	885.19
13	Construction of Two Bed Room Houses to the Urban Poor	Other GIA	550.00
14	Aasara Pensions to Disabled Persons	Other GIA	468.53

Source: Finance Accounts

Government may establish an appropriate mechanism providing the details of each grantee Institution in order to bring transparency in accounts.

4.7 Abstract Contingent Bills

Financial Rules[17] permit drawal of advances on 'Abstract Contingent' bills for the purpose of meeting contingent expenditure for specified purposes. Initially made as advance, its subsequent adjustments are to be ensured through submission of Detailed Contingent (DC) bills within three months from drawal of Abstract Contingent bill as stipulated in Government orders[18].

The year-wise details of drawal of AC Bills / submission of DC bills and unadjusted AC bills as on 31 March 2021 is indicated in ***Table 4.6***.

[16] Object Heads: Grants-in-Aid towards salaries (311), Other Grants-in-Aid (312), Per Capita Grants (313), Seigniorage Grants (314), Maintenance Grant (315), Exgratia Payments or Compensation (317), Obsequies charges (318), and Grants for creation of capital assets (319)

[17] Article 102 of Telangana Financial code

[18] GO No. 507, dt.10-04-2002

Table 4.6: Year-wise details of drawal of AC bills and submission of DC bills

	AC Bills Drawn		DC Bills submitted		Unadjusted AC Bills	
	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
Up to 2018-19	21,032	1,731.22	19,761	1,581.86	1,271	149.36
2019-20	4,794	565.94	4,548	519.49	246	46.45
2020-21	1,716	271.05	1,302	194.33	414	76.72
Total	**27,542**	**2,568.21**	**25,611**	**2,295.68**	**1,931**	**272.53**

Source: Information furnished by Accountant General (Accounts and Entitlements)

We observed that the unadjusted AC bills (3,955 bills amounting to ₹609.87 crore), which were pending as on 31 March 2020 had decreased as on 31 March 2021.

The year-wise pendency of AC bills is given at ***Appendix 4.1***. Out of ₹271.05 crore drawn against AC bills in 2020-21, AC bills amounting to ₹49.38 crore (18.22 *per cent* of the total amount drawn during 2020-21) were drawn in March 2021 alone, and of this, ₹21.91 crore (8.08 *per cent* of the total amount drawn during the year) was drawn on the last day of the financial year.

Significant expenditure on AC bills in March indicates that the drawal was primarily to exhaust the budget and reveals inadequate budgetary control.

In respect of six[19] Departments, AC bills amounting more than ₹5 crore in each case, were pending adjustment. The Department-wise pendency of AC bills is available at ***Appendix 4.2.***

4.7.1 Time taken for adjusting AC bills

Non-adjustment of advances for long periods is fraught with the risk of misappropriation of funds and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills in time. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted to be correct.

In respect of DC bills[20] submitted, there were eight Departments where pending AC bills amounting to ₹ one crore and above took more than two years on an average to be cleared as shown below:

[19] (i) Revenue (955 bills for ₹128.55 crore), (ii) Panchayat Raj and Rural Development (201 bills for ₹29.29 crore), (iii) School Education Department (79 bills for ₹6.57 crore), (iv) Department of Justice (15 bills for ₹9.52 crore), (v) Home (Intelligence) Department (3 bills for ₹9.60 crore) and (vi) Social Welfare Department (16 bills for ₹6.34 crore).

[20] Only treasury bills taken into consideration

Table 4.7: Department -wise average number of years taken to clear pending AC bills

S.No.	Department	No. of AC Bills	Amount of AC Bills cleared (₹ in crore)	Average time taken to clear pending AC bills (in Years)
1	Health, Medical & Family Welfare	1,172	4.16	11.5
2	Finance Department	56	2.24	5.3
3	Revenue Department	4,884	532.57	2.9
4	Agriculture and Co-operation	233	244.49	2.8
5	Planning Department	40	12.36	2.6
6	Tribal Welfare	76	1.50	2.3
7	Animal Husbandry, Dairy Development. and Fisheries	42	1.32	2.1
8	School Education	836	81.44	2.1

Source: Information furnished by Accountant General (Accounts and Entitlements)

While AC bills are to be adjusted within three months, in departments such as Health, Medical & Family Welfare and Finance, they were adjusted after a long gap of 11.5 years and 5.3 years (on an average). Further, substantial time taken in Revenue and Agriculture Departments is also a matter of concern, since huge amounts are involved.

4.8 Personal Deposit Accounts

Personal Deposits are maintained in the treasuries in the nature of banking accounts. As per Article 271 of the Telangana Financial Code, the purpose of Personal Deposit 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. These are commonly known as Personal Ledger Accounts or Personal Deposit Accounts.

Personal Deposit Accounts are established in the following manner:

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

Personal Deposit accounts, in case where they are created by debit to the Consolidated fund, should be generally closed at the end of financial year by minus debit of the balance to the relevant service heads in the Consolidated fund. Further, Personal Deposit Accounts in respect of schemes may not be closed at the end of year, but they may be closed when their need ceases. If any Personal Deposit Account is not operated for a considerable period and there is reason to believe that the need for such deposit account has ceased, such accounts shall be closed in consultation with the officer. As per the List of Major and Minor Heads, Personal Deposits are covered under Major Head 8443 – Civil Deposit – Minor Head 106 – Personal Deposits.

4.8.1 Status of Personal Deposit Accounts

The status of Personal Deposit Accounts as on 31 March 2021 is given in ***Table 4.8*** below:

Table 4.8: Details of Personal Deposit Accounts

Sl. No.	Description	No. of Accounts	Amount (₹ in crore)
1	Number of Personal Deposit Accounts existing at the beginning of the year	237	42.59
2	New Personal Deposit Accounts opened during the year	1	--
3	Receipts into the Personal Deposit Accounts during the year		775.36
4	**Total**	**238**	**817.95**
5	Payments during the year		639.79
6	Amount lapsed during the year		0.57
7	Personal Deposit Accounts closed during the year	40	0.47
8	**Personal Deposit Accounts existing at the end of the year**	**198**	**177.12**

Source: Information furnished by Director of Treasuries and Accounts (DTA) to Accountant General (A&E)

During 2020-21, an amount of ₹770.02 crore was transferred from the Consolidated Fund of the State to these Accounts and an amount of ₹5.28 crore was credited through challans[21]. Of this, an amount of ₹43.12 crore (5.60 *per cent* of the total credit to Personal Deposit Accounts during the year) was transferred from Consolidated Fund on the last two days of the financial year (i.e., ₹21.03 crore on 30 March 2021 and ₹22.09 crore on 31 March 2021). This indicates that these Personal Deposit Accounts were utilised to transfer funds at the fag end of financial year to avoid budget lapse.

4.8.2 Non-closure of in-operative Personal Deposit Accounts

As per Article 271(iii) (4) of Telangana Finance Code Vol-I, in cases where the Personal Deposit Accounts are created by debit to the Consolidated fund, such Personal Deposit Accounts should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated fund, the Personal Deposit accounts being opened next year again, if necessary, in the usual manner. If any Personal Deposit Account is not operated upon for a considerable period and there is reason to believe that the need for such deposit account has ceased, such accounts shall be closed in consultation with the officer in whose favour the Personal Deposit Account has been opened.

However, 75 Personal Deposit Accounts, having a balance of ₹3.09 crore, which were in-operative for more than three year, have not been closed as on 31 March 2021. Of this, an amount of ₹1.83 crore was in the Personal Deposit Account of Secretary, District Legal Services Authority, Ranga Reddy District and an amount of ₹0.49 crore was in the account of District Treasury Officer, Karimnagar.

Further, out of 198 PD Accounts, only 23 accounts had both receipts and payments. There were only receipts in 29 PD accounts and only payments in 7 PD accounts. There were neither receipts nor payments in 139 PD accounts. This indicates, these 139 personal deposit accounts were not operated during 2020-21.

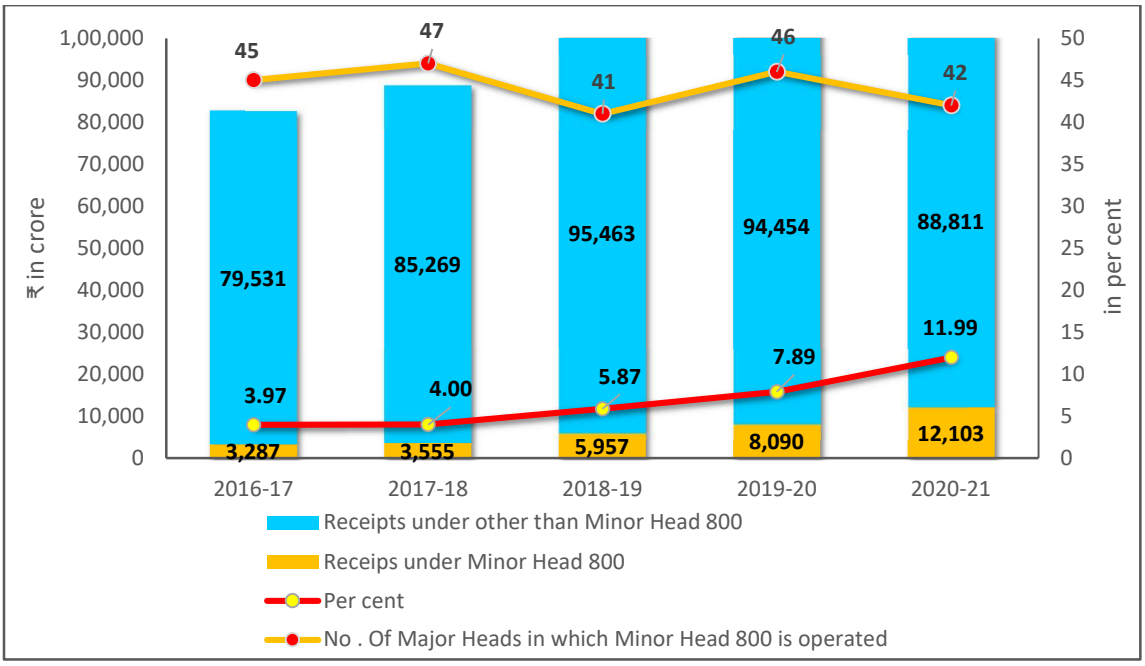
[21] Challans for ₹0.06 crore are not available and are under correspondence

As per G.O Ms No.43 dated 22.04.2000, funds released during a particular financial year shall lapse by 31 March of the following year (lapsable deposits under category 'C'). The administrators of Personal Deposit Accounts are therefore, required to revert the unspent balances to the Government account. Accordingly, an amount of ₹0.57 crore is lapsed during 2020-21.

4.9 Opaqueness in Accounts

Article 30 of Accounts Code (Volume I) stipulates that as a general rule, the classification of transactions in Government accounts shall have closer reference to the function, programme and activity of the Government and the object of the revenue or expenditure, rather than the Department in which the revenue or expenditure occurs. Minor Head - 800 relating to Other Receipts or Other Expenditure is intended to be operated only when the appropriate Minor Head is not available under the Major Head. Routine operation of Minor Head - 800 is to be discouraged, as it renders the accounts opaque. Transactions under this Minor Head during the years 2016-17 to 2020-21 are detailed in ***Charts*** below:

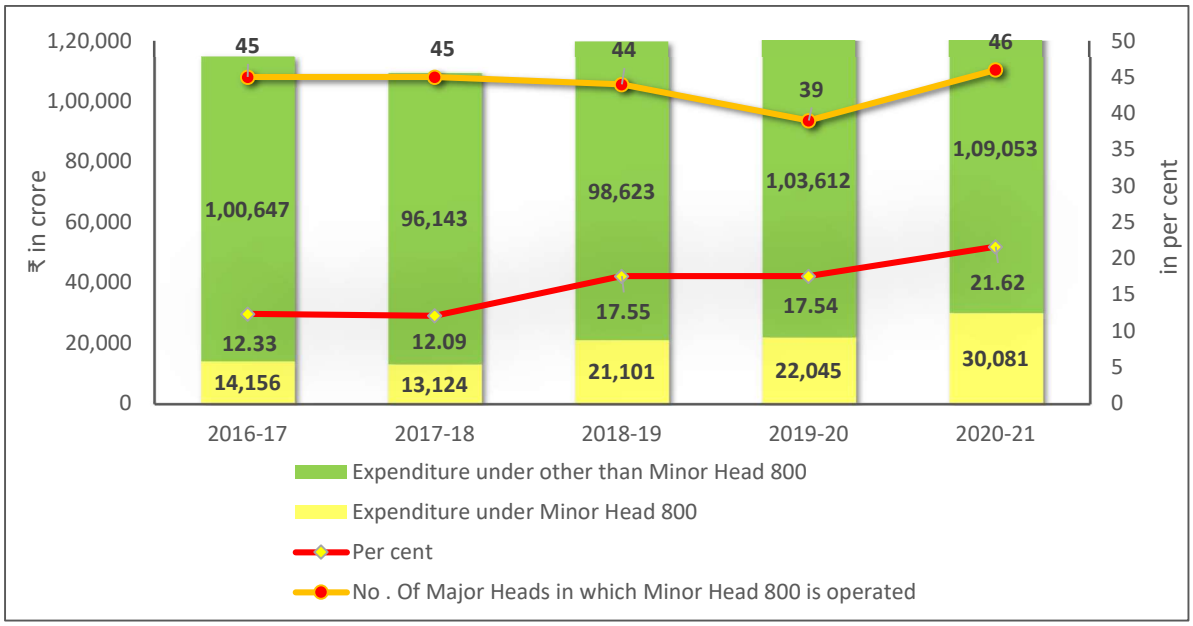
Chart 4.2: Operation of Minor Head 800 – Other Receipts during 2016-17 to 2020-21



Source: Finance Accounts

Note: Receipts include Revenue Receipts only

Chart 4.3: Operation of Minor Head 800 – Other Expenditure during 2016-17 to 2020-21



Source: Finance Accounts

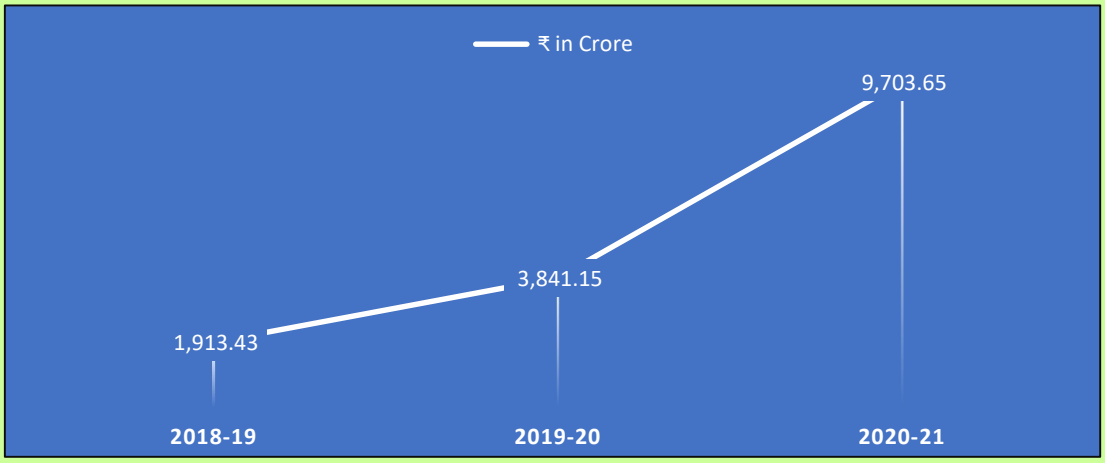
Note: Expenditure includes both Revenue and Capital Expenditure

- The use of omnibus Minor Head-800 in monetary value has increased considerably over preceding years during the past three years - by 68 *per cent* in 2018-19, 36 *per cent* in 2019-20 and 50 *per cent* in 2020-21 in respect of Receipts and 59 *per cent* in 2018-19, and 36 *per cent* in 2020-21 in respect of Expenditure, despite the CAG pointing this out in earlier Reports.
- The proportion of receipts classified as Minor Head 800 - Other Receipts in total Revenue Receipts is also increasing over the years from 3.97 *per cent* in 2016-17 to 11.99 *per cent* in 2020-21.
- Similarly, the proportion of Minor Head 800 - Other Expenditure in total Expenditure has also increased considerably during last five years from 12.33 *per cent* in 2016-17 to 21.62 *per cent* in 2020-21. As a result, more than one fifth of expenditure is classified under Minor Head 800 - Other Expenditure.

Box 4.1: Classification of huge amount of State Goods and Services Tax under Minor Head-800

Receipts classified as Minor Head 800 - Other Receipts under Receipts Major Head State Goods and Services Tax has been continuously increasing for the last three years (₹9,703.65 crore in 2020-21, ₹3,841.15 crore in 2019-20 and ₹1,913.43 crore in 2018-19) despite availability of several functional Minor Heads under the Major Head *viz.*, Tax, Interest, Penalty, Fees, Input Tax Credit, Apportionment, etc.

Chart 4.4: Trends of State Goods and Services Tax Receipts under Minor Head - 800



Source: Finance Accounts

In respect of receipt Major Head *viz.*, Miscellaneous General Services, Receipts classified under Minor Head 800 – Other Receipts (₹1,200.51 crore in 2020-21, ₹1,764.48 crore in 2019-20 and ₹2,660.70 crore in 2018-19) were more than ₹1,000 crore for the last three continuous financial years.

- In respect of 10 Receipt Major Heads like Jails, Family Welfare, Urban Development etc, entire Receipts totalling ₹30.52 crore were classified under Minor Head - 800 – Other Receipts (details in ***Appendix 4.3***).
- In respect of five[22] Expenditure Major Heads, the expenditure classified under Minor Head 800 – Other Expenditure was more than ₹1,000 crore in each case. Except in case of "Relief on account of natural calamities", under all the other Heads, expenditure of more than ₹1,000 crore was classified under Minor Head 800 – Other Expenditure for the last three financial years.
- During the current year, under five Expenditure Heads, the entire expenditure totalling ₹1,181.93 crore was classified under Minor Head 800–Other expenditure (details in ***Appendix 4.4***). Capital Outlay on Roads and Bridges alone was ₹1,150.97 crore.

[22] (i) Crop Husbandry (₹12,606.67 crore), (ii) Power (₹7,505.21 crore), (iii) Welfare of SC and ST (₹2,684.60 crore), (iv) Capital Outlay on Roads and Bridges (₹1,323.78 crore) and (v) Relief on account of Natural Calamities (₹1,186.58 crore)

- In respect of 14 Major Heads, receipts amounting to ₹1,320.34 crore (details in ***Appendix 4.5***) and in respect of 8 Major Heads, expenditure amounting to ₹23,814.81 crore, (details in ***Appendix 4.6***), substantial proportion *i.e.*, 50 *per cent* or more was classified under Minor Head 800 – Other Receipts / Expenditure.

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting. It distorts proper analysis of allocative priorities and quality of expenditure and receipts.

Box 4.2: Classification of huge amount as Other Charges under Detailed Head-500

Even at detailed head level, expenditure was classified as Other Charges making it difficult to identify the nature/form/object of the expenditure. During 2020-21, the expenditure under Detailed Head - 500 – Other Charges amounted to ₹7,063.14 crore (5.08 *per cent* of total Expenditure), which includes ₹2,953.21 crore under Minor Head – 800 Other Expenditure. Out of this, major expenditure pertains to COVID-19 Pandemic (₹3,050.33 crore), Mahatma Gandhi National Rural Employment Guarantee Act (₹1,928.82 crore), Resettlement and Rehabilitation (₹277.92 crore), Pradhan Mantri Gram Sadak Yojana (₹219.20 crore) and Swachh Bharath Mission - Gramin (₹210.15 crore). Classification of large amounts under the Other Charges Detailed Head-500 affects transparency in financial reporting.

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

The omnibus Minor Head - 800 (with the relatable Sub-Head / detailed head) was operated despite availability of specific Minor Head in the following cases:

Table 4.9: Use of Minor Head 800 with relatable Sub-Head despite availability of specific Minor Head

Sl. No.	Classification under Minor Head – 800	Description of Sub-Head used	Related specific Minor Head to be used	Description of related specific Minor Head Available	Amount (₹ in Lakh)
Receipts					
1	0070-60-**800**-25	Receipts under Right to Information Act, 2005	0070-60-**118**	Receipts under Right to Information Act, 2005	0.91
2	0202-04-**800**-01	Receipts of the Department of Archaeology	0202-04-**101**	Archives and Museums	17.38
Expenditure					
1	2403-00-**800**-08	Veterinary services and Animal Health	2403-00-**101**	Veterinary services and Animal Health	2,569.06
2	5054-04-**800**-07	Major District Roads	5054-04-**337**	Road Works	19,095.83
3	2801-80-**800**-04	Assistance to Telangana Power Finance Corporation	2801-80-**101**	Assistance to Electricity Boards	33.49

Sl. No.	Classification under Minor Head – 800	Description of Sub-Head used	Related specific Minor Head to be used	Description of related specific Minor Head Available	Amount (₹ in Lakh)
4	2801-80-**800**-05	Telangana Electricity Regulatory Commission	2801-80-**101**	Assistance to Electricity Boards	664.60
5	6700-01-**800**-05	Loans to Telangana State Water Resources Infrastructure Development Corporation Limited (TSWRIDCL)	6700-60-**190**	Loans to Public Sector and other undertakings	99,590.71
6	2245-80-**800**-14	COVID-19 Pandemic	2245-80-**102**	Management of Natural Disasters, Contingency Plans in disaster prone areas	2,31,374.60

Source: Finance Accounts

Classification of receipts and expenditure under omnibus Minor Head - 800, despite availability of specific Minor Heads, shows laxity in correct depiction of Receipts and Expenditure in Accounts.

Issues related to Measurement

4.10 Outstanding balances under Suspense and DDR Heads

The transactions relating to "Suspense" and "Remittances" heads are intended to record all merely adjusting heads. Certain intermediary/adjusting Heads of Accounts known as 'Suspense Heads' are opened in Government Accounts to reflect transactions of receipt and payments which cannot be booked to a final Head of Account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/Pay and Accounts Officers, non-receipt of clearance memos from RBI, non-receipt of vouchers, etc. These Heads of Accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final Heads of Account. If these amounts are not cleared, the balances under suspense heads get accumulated and does not provide a correct picture of the Government's receipts and expenditure.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The status of the balances under suspense and remittance heads for the last three years is given in the ***Table 4.10***:

Table 4.10: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
Major Head 8658 - Suspense	**Dr.**	**Cr.**	**Dr.**	**Cr.**	**Dr.**	**Cr.**
101 - PAO suspense	250.41	105.80	337.96	233.90	547.13	405.16
Net Balance		**Dr.144.61**		**Dr.104.06**		**Dr.141.97**
102 - Suspense Account-Civil	195.90	412.83	843.88	1,035.05	1358.34	1,605.59
Net Balance		**Cr.217.33**		**Cr.191.17**		**Cr.247.25**
109 - Reserve Bank Suspense - Headquarters	5.32	4.87	5.23	1.32	5.22	(-)0.33
Net Balance		**Dr.0.45**		**Dr.3.91**		**Dr.5.55**
110 - Reserve Bank Suspense – CAO	6.68	0.14	(-)10.87	12.46	(-)10.88	(-)11.28
Net Balance		**Dr.6.54**		**Cr.23.33**		**Cr.0.40**
112 - Tax Deducted at Source (TDS) Suspense	0.01	63.25	(-)0.01	314.30	(-)0.01	92.10
Net Balance		**Cr.63.24**		**Cr.314.31**		**Cr.92.11**
123 - A.I.S Officers' Group Insurance Scheme	0.15	0.19	0.17	0.23	0.01	0.09
Net Balance		**Cr.0.04**		**Cr.0.06**		**Cr.0.08**
Major Head 8782- Cash Remittances	**Dr.**	**Cr.**	**Dr.**	**Cr.**	**Dr.**	**Cr.**
102 - P.W. Remittances	84,681.40	84,477.83	13,236.43	13,236.16	265.55	159.74
Net Balance		**Dr.203.57**		**Dr.203.84**		**Dr.309.65**
103 - Forest Remittances	1,417.87	1,771.15	589.39	623.57	430.33	531.17
Net Balance		**Cr.353.28**		**Cr.387.46**		**Cr.488.30**
Major Head 8793- Inter State Suspense Account	46.17	27.48	73.15	27.54	102.42	29.47
Net Balance		**Dr.18.69**		**Dr.45.61**		**Dr.72.95**

Source: Finance Accounts

There was a considerable increase of ₹105.81 crore in the balance remaining to be adjusted under 8782-102- Public Works Remittances. Similarly, under 8782-103- Forest Remittances, the balance to be adjusted increased from ₹387.46 crore (2019-20) to ₹488.30 crore (2020-21).

The increase under 8658-102 Suspense Accounts Civil was mainly on account of un-credited items under e-Payments mainly in respect of Rythu Bandhu return challans, Salaries and Personal Deposit Account challans.

Un-cleared balances under these heads at the end of the year, due to non-adjustment of receipts and payments to the concerned Heads of account in time, affects depiction of Government's Receipts and Expenditure accurately.

4.11 Reconciliation of Accounts

Generally Accepted Accounting Principles prescribe that it is necessary to carry out periodic and regular reconciliation of accounts to provide accuracy and consistency in financial accounts. Reconciliation and verification of figures enables the Chief Controlling Officers (CCOs) to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts. Government Orders[23] and Financial Rules[24] stipulate that expenditure recorded in the books of CCOs of Departments is to be reconciled with the books of the Accountant General (Accounts and Entitlements) every month.

Table 4.11: Status of Reconciliation of Receipts and Expenditure figures

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled
Receipts				
2016-17	38	17	2	19
2017-18	26	8	0	18
2018-19	39	15	10	14
2019-20	38	9	23	6
2020-21	54	15	6	33
Expenditure				
2016-17	173	90	41	42
2017-18	248	168	61	19
2018-19	281	191	51	39
2019-20	196	63	94	39
2020-21	194	41	70	83

Source: Finance Accounts

Note: For expenditure CCOs, earlier figures up to 2018-19 were based on Major Head wise.
For receipt CCOs, data is based on Major Head wise.

In monetary terms for 2020-21, receipts of ₹95,653.07 crore (94.79 *per cent* out of total Revenue Receipts) and expenditure of ₹1,16,253.80 crore (83.55 *per cent* out of total Expenditure) was reconciled. Overall, an amount of ₹5,261.28 crore under Receipts and ₹22,880.69 crore under Expenditure remained unreconciled. However, we noted a significant improvement in reconciliation of Receipts and Expenditure in 2020-21 over previous year 2019-20 (68.03 *per cent* and 74.51 *per cent* respectively).

- We observed four Major Heads under which there were un-reconciled receipts of ₹100 crore and above totalling ₹4,828.62 crore in 2020-21 (***Appendix 4.7)***. Out of this, Non-ferrous Mining and Metallurgical Industries (Major Head -0853) alone constituted un-reconciled receipts of ₹3,457.39 crore in 2020-21 and also un-reconciled receipts of above ₹3,000 crore persistently for three years (₹3,486.85 crore in 2019-20 and ₹3,112.59 crore in 2018-19).
- There were 41 Chief Controlling Officers (CCOs), who did not reconcile expenditure of ₹100 crore and above totalling ₹21,095.45 crore (***Appendix 4.8)***. Out of this, there were three CCOs, who did not reconcile expenditure of ₹1,000 crore and above totalling ₹6,889.93 crore.

[23] GO Ms. No. 507 of Finance (TFR) Department, dated 10 April 2002
[24] Article 9 of Telangana Financial Code

- There were two CCOs[25], who have not reconciled expenditure of ₹100 crore and above persistently for the past three years.

Non-reconciliation impacts the assurance that all the receipts/expenditure have been taken to the final Head of Account properly. Failure to exercise this check might result in misclassification and incorrect booking of receipts and expenditure in the accounts, thus raising concerns about accuracy of accounts. It also is a reflection of weak internal controls within the Government.

The Government replied (January 2022) that the Heads of the Departments / Chief Controlling Officers have been instructed to reconcile the expenditure and receipts at periodic intervals.

4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

The Cash balance as on 31 March 2021, as per records of the Accountant General was ₹5.67 crore (credit) and that reported by RBI was ₹11.10 crore (credit). There was a net difference of ₹16.77 crore (credit) as on 31 March 2021 mainly due to misclassifications and incorrect reporting.

Table 4.12: Details of Year-wise Cash Balance

Year	Amount (₹ in Crore)
Upto 2015-16	0.02 (Credit)
2016-17	0.30 (Debit)
2017-18	3.10 (Debit)
2018-19	20.43 (Credit)
2019-20	0.04 (Credit)
2020-21	0.32 (Debit)
Total	**16.77 (Credit)**

Source: Finance Accounts

Issues related to Disclosure

4.13 Compliance with 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 2020-21 and deficiencies therein are detailed in ***Table 4.13.***

[25] (i) The Accounts Officer, Office of the Commissioner of Tribal Welfare, D.S. Samkshema Bhavan (₹113.97 crore in 2019-20 and ₹658.57 crore in 2018-19) and (ii) The Registrar, Telangana High Court (₹954.70 crore in 2019-20 and ₹289.91 crore in 2018-19)

Table 4.13: Compliance with Accounting Standards

Sl. No.	Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
1	**IGAS 1**: *Guarantees Given by the Government – Disclosure requirements*	The standard requires the Government to disclose the maximum amount of Guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Not fully complied (Statements 9 and 20 of Finance Accounts)	Though sector-wise details were disclosed, class-wise details were not incorporated. Detailed information like number of Guarantees for each institution was not furnished. Information with regard to Guarantee Commission was not furnished by the State Government. The details of Guarantees mentioned does not include Guarantees extended to Telangana State Civil Supplies Corporation (TSCSC) and Guarantees given to TS MARKFED. The Statements are incomplete to that extent.
2	**IGAS 2**: *Accounting and Classification of Grants-in-Aid*	Grants-in-Aid are to be classified as Revenue Expenditure in the accounts of the Grantor and as Revenue Receipts in the accounts of the Grantee, irrespective of the end use.	Not fully complied (Statement 10 of Finance Accounts)	Detailed information regarding Grants-in-Aid provided, if any, in kind, was not furnished by the State Government. Certain Grants-in-Aid (₹0.45 crore) were classified under Capital section in contravention of the accounting standards.
3	**IGAS 3**: *Loans and Advances made by Governments*	This standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial statements to ensure complete, accurate and uniform accounting practices.	Not fully complied (Statement 18 of Finance Accounts)	Details not confirmed by the State Government. Figures in respect of certain loans and advances for which detailed accounts are maintained were not furnished. Confirmation of individual loanee balances was not given.

Source: Indian Government Accounting Standards and Finance Accounts

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

4.14 Submission of Accounts / Separate Audit Reports of Autonomous Bodies

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

There were 31 ABs under the audit purview as per Section 19 or 20 of the CAG's DPC Act, which were required to submit their Annual Accounts to CAG before 30 June every year. Out of 31, only three[26] ABs have submitted their accounts up to 2020-21.

Table 4.14: 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	1-5	18
2	5-10	5
3	10-15	5
Total		**28**

[26] Telangana State Electricity Regulatory Commission, District Legal Services Authority, Khammam and District Legal Services Authority, Nalgonda

The remaining 28 ABs have not submitted their Annual Accounts in time. There were delays ranging from one to fourteen years in submission of Accounts (***Table 4.14***). Out of the 28 ABs which were to submit their annual accounts, 10 ABs were Legal Services Authorities (***Appendix 4.9)***.

- Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) had not submitted annual accounts from 2010-11 onwards. Despite non-rendering of accounts for 10 years, the Government has been providing loans and guarantees to HMWSSB. During 2020-21, the State Government has provided ₹891.02 crore as Loan to HMWSSB and the total loans outstanding as of March 2021 stood at ₹7,648.32 crore. Further, the value of Guarantees given by State Government to HMWSSB outstanding as of March 2021 was ₹3,472.57 crore.
- The Metropolitan Legal Services Authority and Integrated Tribal Development Agencies (ITDAs) of Bhadrachalam, Eturunagaram and Utnoor, have not submitted their Annual Accounts for 10 years or more (July 2021).

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

4.15 Submission of Accounts by Departmental Commercial Undertakings / Companies / Corporations

According to Section 395 of the Companies Act, 2013, every State Government shall cause an annual report on the working and affairs of the Government Company to be prepared within three months of its Annual General Meeting and as soon as may be after such preparation, lay before the House or both Houses of the State Legislature together with a copy of the audit report and comments upon or supplement by the Comptroller and Auditor General of India to the Audit Report.

There were 63 Government Companies and 03 Statutory Corporations, which were to submit their Annual Accounts to Accountant General (Audit), Telangana. Out of the above, 13 companies[27] were yet to submit their first Annual Accounts. Similarly, all the three Statutory Corporations[28] were yet to submit their first Annual Accounts. Of the remaining 50 companies, 7 companies are up to date in submission of their accounts, while 43 companies have arrears of Annual Accounts ranging from one to five years.

[27] (i) Telangana State Industrial Development Corporation Limited, (ii) Telangana Life Sciences Infrastructure Development Limited, (iii) Wehub Foundation, (iv) Bio-tech Hub Limited, (v) Telangana State Aviation Corporation Limited, (vi) Telangana Power loom and Textile Development Corporation Limited, (vii) Telangana Handloom Development Corporation Limited, (viii) Hyderabad Airport Metro Limited, (ix) Telangana State Housing Corporation Limited, (x) Telangana Rajiv Swagruha Corporation Limited, (xi) Greater Warangal Smart City Corporation Limited, (xii) Karimnagar Smart city Corporation Limited and (xiii) Telangana State Christian Minorities Finance Corporation

[28] (i) Telangana State Financial Corporation, (ii) Telangana State Road Transport Corporation, and (iii) Telangana State Warehousing Corporation

Out of the seven companies, which submitted their Annual Accounts up to 2020-21, two companies[29] were not reflected in statement of Investments of Finance Accounts 2020-21. As per Annual Financial Statements furnished by the five companies, the State Government has invested an amount of ₹ 19,644.37 crore. However, as per Finance Accounts, the investments in these Companies were ₹21,508.52 crore including un-apportioned investments prior to bifurcation (***Appendix 4.10***). There is a difference of ₹1,864.15 crore between the information as per Finance Accounts and Annual Financial Statements of these Companies. Thus, there is a need for reconciliation of investments as per Government Accounts and as per the Annual Financial Statements of Government Companies and Statutory Corporations.

In the absence of timely finalization of accounts, there is no accountability on the performance of these companies. Investment of the Government also escape scrutiny by audit and remain outside the purview of Legislative control. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken on time.

4.16 Non-submission of details of Grants / Loans given to Bodies and Authorities

To identify institutions / organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (C&AG's DPC Act), information regarding financial assistance given by the Government in the form of Grants/ Loans is required. As per Regulation 88 of Regulations on Audit and Accounts, 2020, Governments and Heads of Departments (HoDs) which sanction Grants and/or Loans to Bodies or Authorities shall furnish to the Audit office, by the end of July every year, a statement of such Bodies and Authorities to which grants and/or loans aggregating rupees ten lakh or more were paid during the preceding year indicating: (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority.

However, during 2020-21, none of the Departments have furnished the information regarding the Bodies and Authorities to which grants and/or loans were provided as required under Regulation 88. In response to specific request by Audit, only nine[30] Departments have furnished the information. Information from other Departments was not received (October 2021). In the absence of such information, we could not ascertain entities auditable under Section 14 and 15 of the Comptroller and Auditor General of India's Duties, Power and Conditions of Service Act, 1971.

The Government replied that the details would be available in Statements 10, 18 and Appendix III of the Finance Accounts. The reply is not acceptable as Statements of Finance

[29] (i) Telangana Industrial Health Clinic Limited and, (ii) Damodara Minerals Private Limited

[30] (i) Information Technology Electronics and Communications, (ii) Animal Husbandry, Dairy Development and Fisheries, (iii) Planning, (iv) Industries and Commerce, (v) Environment, Forests, Science and Technology, (vi) Energy, (vii) Transport, Roads and Buildings, (viii) Agriculture and Cooperation, (ix) Consumer Affairs Food and Civil Supplies Department

Accounts are prepared based on the details of heads of account, which do not always capture names of the institutions. Further, Regulation 88 specifically stipulated that the Governments and Heads of Department shall furnish a statement of such Bodies and Authorities to which grants and/or loans aggregating rupees ten lakh, or more were paid.

4.17 Follow up action on State Finances 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. Comptroller and Auditor General of India has been flagging year after year, issues relating to financial and budgetary management, lapses in compliance with prescribed procedures, rules and regulations by the State Government departments / authorities.

Out of 119 Explanatory Notes to be received in respect of 112 Audit paras from 12 Departments in respect of Audit Report on State Finances for the years 2014-15 to 2018-19, 30 Explanatory Notes for 27 Audit paras pertaining to six Departments were furnished as of August 2021. Details are given in ***Appendix 4.11.***

4.18 Conclusion

Funds pertaining to State Compensatory Afforestation Fund, which should have been maintained in Government Account, were parked in banks. Government did not discharge its interest liability in respect of interest-bearing Reserve Funds and Deposits. There is a decrease in unadjusted AC bills both in number and amounts compared to previous year. The use of omnibus minor heads has been on the rise for the past few years. Even the detailed heads are being maintained in an obscure manner adding opaqueness to the accounts and adversely affecting transparency, particularly on important receipts like Goods and Services Tax. Non-reconciliation of accounts by the account rendering units/authorities affected accuracy and completeness of accounts of the State. Government Companies and Autonomous Bodies are allowed to continue without finalising their accounts for longer periods, whilst the State Government continued to support them with grants, loans and/or guarantees. The State Government is yet to comply with Indian Government Accounting Standards.

4.19 Recommendations

(i) *State Government should ensure the prescribed accounting procedure in respect of State Compensatory Afforestation fund is complied with and these funds are not kept outside the Government account.*

(ii) *State Government should put in place controls to ensure that Detailed contingent bills are submitted within the time periods stipulated.*

(iii) *State Government may consider release of Grants/ loans or extension of guarantees to various Autonomous Bodies and State Public Sector Undertakings subject to timely submission of accounts.*

Chapter 5

Financial performance of State Public Sector Undertakings (SPSUs)

Chapter 5 Financial Performance of State Public Sector Undertakings (SPSUs)

5.1 Introduction

This chapter presents the summary of financial performance of Telangana Government Companies, Government controlled other Companies and Statutory Corporations as revealed from the accounts / information furnished by them and results of oversight role of the Comptroller and Auditor General of India (CAG). It highlights some of the significant comments issued as a result of supplementary audit of the accounts of the PSUs conducted by the CAG.

State Public Sector Undertakings (PSUs) are established by Governments to carry out activities of commercial nature for the development of the State as well as to cater to the welfare of its people.

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company which is a subsidiary of a Government Company.

Besides, any other company[1] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

The Statutory Corporations are established by Government and governed by their respective legislations.

State PSUs encompass Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Telangana.

5.2 Mandate of Audit

Audit of Government Companies and Government controlled other Companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section143 of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under Sections 139 (5) and (7) of the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for the Government Companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditor under Section 143 (6) of the Companies Act, 2013.

Statutes governing Statutory Corporations also require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

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[1] Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014

5.3 Number of PSUs and status of accounts

Telangana State was formed on 2 June 2014, following the bifurcation of erstwhile composite State of Andhra Pradesh (AP) into Telangana and the residual State of AP as per the AP Reorganisation Act, 2014. As per the provisions of the AP Reorganisation Act, 2014, a PSU was allocated to the State where it is exclusively located in or its operations are exclusively confined to. Assets and liabilities of PSUs with interstate operations were to be apportioned between the two States as under:

- The operational units on location basis; and
- The headquarters on the basis of population ratio.

As on 31 March 2021, there were 82 PSUs in Telangana State (including eight Government companies in power sector and 68 Government companies, three Government Controlled Other companies and three Statutory Corporations in non-power sector) under the audit jurisdiction of CAG. Out of the 82 PSUs, 66 were working and 16 were inactive[2] PSUs. Two PSUs, namely, Andhra Pradesh Tribal Power Company Limited and Infrastructure Corporation of Andhra Pradesh Limited under demerger are included in working PSUs. During the year 2020-21, one Government Company[3] got dissolved and three Government Companies[4] came under the audit jurisdiction of the CAG.

The nature of PSUs and the position of accounts of 82 PSUs as on 30 September 2021 are detailed in ***Table 5.1***.

Table 5.1: Number of PSUs and status of accounts

Type of PSUs	Total No. of PSUs	No. of PSUs whose accounts were received as of 30 September 2021[5]				No. of PSUs whose accounts are in arrears (No of accounts in arrears)
		Up to 2018-19	Up to 2019-20	Up to 2020-21	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2)- (5)
Government Companies	60	8	15	7	30	**53 (151)**
Statutory Corporations	3	0	0	0	0	**3 (17)**
Government controlled Other Companies	3	0	0	0	0	**3 (12)**
Total Working PSUs	**66**	**8**	**15**	**7**	**30**	**59 (180)**
Inactive Government Companies[6]	16	0	0	0	0	**16 (372)**
Grand Total	**82**	**8**	**15**	**7**	**30**	**75 (552)**

Source: Annual accounts submitted by Telangana PSUs

Out of 66 working PSUs, 36 PSUs (16 PSUs in respect of which first accounts were awaited and 20 PSUs whose accounts were in arrears for three or more years as on 30 September 2021 or information was not furnished to Audit) are not covered in this Chapter. Based on

[2] Either defunct or under liquidation. Of these, 15 Companies are under demerger
[3] Southern Transformers and Electricals Limited
[4] Bio Tech Hub Limited, Karimnagar Smart City Corporation Limited and Greater Warangal Smarty City Corporation Limited
[5] Due date for conduct of Annual General Meeting was extended (September 2021) by two months beyond normal due date (30 November 2021) by ROC, Ministry of Corporate Affairs in view of the Covid-19 pandemic
[6] Includes 15 PSUs which are under demerger

the accounts and information furnished by PSUs (both Power and Non-power sectors), analysis of financial performance of 30 working PSUs has been covered in this chapter.

The position of arrears of accounts of all 82 PSUs, both working and inactive as on 30 September 2021 are given in ***Appendix 5.1***. The summary of financial performance of 30 working PSUs is given in ***Table 5.2*** below.

Table 5.2: Summary of financial performance of 30 PSUs

Number of working PSUs	66
PSUs covered in this Report	30
Paid up capital (30 PSUs)	₹21,141.24 crore
Long term Loans (30 PSUs)	₹98,929.43 crore
Net profit (12 PSUs)	₹728.63 crore
Net loss (16 PSUs)	₹10,295.63 crore
Zero Profit/Loss (2 PSUs)	-
Dividend declared (1 PSU)	₹173.32 crore
Net worth (30 PSUs)	₹(-)38,741.14 crore

5.4 Contribution of PSUs to the Economy of the State

A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the contribution of PSUs to the economy of the State.

The details of turnover of the 30 working PSUs and GSDP during the three-year period ending March 2021 are as detailed in ***Table 5.3***:

Table 5.3: Details of turnover of working PSUs vis-a-vis GSDP of Telangana

(₹ in crore)

Sector	2018-19	2019-20	2020-21
Power	67,240.05	69,742.97	63,154.02
Agriculture	337.26	415.57	347.81
Infrastructure	301.27	125.11	284.89
Manufacturing	0.00	0.00	1.73
Service	4,048.15	3,737.54	2,528.54
Total Turnover	**71,926.73**	**74,021.19**	**66,316.99**
GSDP of Telangana	8,60,078	9,57,207	9,80,407
Percentage of Turnover to GSDP of Telangana	8.36	7.73	6.76

Source: Turnover figures are as per accounts/ information furnished by the PSUs and GSDP figures are as per Directorate of Economics and Statistics, Govt. Of Telangana (2 August 2021)

The contribution of PSUs to GSDP of Telangana declined from 8.36 *per cent* in 2018-19 to 6.76 *per cent* in 2020-21, as the turnover of these PSUs was 10.41 *per cent* lower compared to previous year. Among the 30 PSUs, power sector PSUs alone reported 95.23 *per cent* of the turnover contributing 6.44 *per cent* to GSDP, whereas remaining PSUs in non-power sector contributed only 0.32 *per cent* during the year 2020-21. The Singareni Collieries Company Limited (SCCL) reported 37 *per cent* (₹5,921 crore) lower revenue from coal operations compared to previous year as a result of very poor demand for coal in the first half of 2020-21 due to Covid-19 Pandemic. Similarly, the TSRTC reported ₹1,630.78 crore (44.36 per cent) lesser turnover due to stalling of its operations during the Covid-19 Pandemic.

5.5 Investment in PSUs and Budgetary Support

5.5.1 Equity holding and Long term loans of the State Government in PSUs

The amount of equity and loans in 30 working PSUs as at the end of 31 March 2021 is given in ***Table 5.4***:

Table 5.4: Total investment in Telangana PSUs

(₹ in crore)

Sources of Investment	Investments As on 31.03.2020			Investments As on 31.03.2021		
	Equity*	Long Term Loans	Total	Equity*	Long Term Loans	Total
1. Central Government/ Central Government Companies / Corporations	873.22	0.00	873.22	873.22	0.00	873.22
2. State Government / State Government Companies/ Corporations	20,265.09	15,628.93	35,894.02	20,267.04	18,245.81	38,512.85
3. Financial Institutions and Others	0.97	63,011.27	63,012.24	0.98	80,683.62	80,684.60
Total	**21,139.28**	**78,640.20**	**99,779.48**	**21,141.24**	**98,929.43**	**1,20,070.67**
Percentage of State Government Investment to Total Investment	*95.86*	*19.87*	*35.97*	*95.86*	*18.44*	*32.08*

Source: Accounts/information furnished by PSUs

** Equity includes share application money*

During 2020-21, there was equity infusion of ₹1.95 crore in the Telangana State Power Finance Corporation Limited and ₹0.01 crore in Bio Tech Hub Limited. The outstanding loans of these 30 PSUs increased from ₹78,640.20 crore as on 31 March 2020 to ₹98,929.43 crore as on 31 March 2021. The increase in the loans during 2020-21 was mainly in Southern Power Distribution Company of Telangana Limited (TSSPDCL) (₹6,105.85 crore), Northern Power Distribution Company of Telangana Limited (TSNPDCL) (₹5,566.35 crore) and Telangana State Power Generation Corporation Limited (TSGENCO) (₹2,757.39 crore).

There were 16 PSUs[7] which have been inactive for over seven years and up to 36 years. The State Government had invested an amount of ₹203.21 crore in the form of capital (₹39.32 crore) and long-term loans (₹163.89 crore) in the inactive PSUs. We are unable to make any assessment of this State Government investment due to non-furnishing of accounts/ information by these PSUs, despite being requested for every year.

The pattern of cumulative investment made by the State Government in 30 PSUs at the end of financial years 2018-19 to 2020-21 is given in ***Table 5.5***.

[7] Of the 16 PSUs, 15 were still under demerger

Table 5.5: Investment of State Government in PSUs

(₹ in crore)

Sector	Year		
	2018-19	2019-20	2020-21
Power	21,983.03	23,643.74	23,712.18
Agriculture	9.94	9.94	10.04
Finance	62.53	62.53	62.53
Infrastructure	7,084.72	8,345.17	10,555.18
Manufacturing	69.24	69.24	69.24
Service	3,510.71	3,763.40	4,103.68
Total	**32,720.17**	**35,894.02**	**38,512.85**

Source: Accounts/information furnished by PSUs

As on 31 March 2021, investment of the State Government in equity and long term loans in these 30 PSUs was ₹38,512.85 crore. During 2020-21, the State Government infused ₹1.96 crore in the form of equity and ₹2,616.87 crore in the form of long term loans mainly in Telangana State Housing Corporation Limited (₹2,210.00 crore) and Telangana State Road Transport Corporation (₹270.29 crore) (***Appendix 5.2***).

Details of significant holding (holding of more than ₹500 crore) of the Government of Telangana during 2020-21 in the paid up capital of the PSUs is given in ***Table 5.6***.

Table 5.6: Significant equity holding of the State Government

(₹ in crore)

Name of the PSU	Name of the Administrative Department of Government of Telangana	Amount of Paid-Up Capital Invested
Power Sector PSUs		
The Singareni Collieries Company Limited	Energy Department	885.60
Telangana State Power Generation Corporation Limited	Energy Department	869.64
Southern Power Distribution Company of Telangana Limited	Energy Department	12,017.93
Northern Power Distribution Company of Telangana Limited	Energy Department	5,869.20
Non-Power Sector PSUs		
Telangana State Road Transport Corporation	Transport Department	505.52
Total		**20,147.89**

Source: Accounts/information furnished by PSUs

Significant amount i.e., 95.30 *per cent* of the total equity investment by the State Government was in the above five PSUs.

5.5.2 Restructuring, Disinvestment and Privatisation of PSUs

During the year 2020-21, there was neither disinvestment of any PSU in Telangana State nor was any PSU privatised.

5.5.3 Budgetary support to PSUs

State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans converted into equity, interest written off and guarantees issued/ outstanding to the PSUs for the last three years ending March 2021 are as follows:

Table 5.7: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2018-19		2019-20		2020-21	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Power Sector PSUs							
1	Equity capital outgo from budget	2	2,399.99	2	2,000.00	1	1.95
2	Loans given from budget	0	0	0	0	0	0
3	Grants/Subsidy given from budget*	3	5,052.22	3	4,750.17	3	5,661.39
4	**Total Outgo[8]**	**3**	**7,452.21**	**3**	**6,750.17**	**4**	**5,663.34**
5	Loans converted into equity	0	0	0	0	0	0
6	Loans, Interest/ Penal interest written off	0	0	0	0	0	0
7	Guarantees issued[9]	0	0	0	0	2	12,586.93
8	Guarantee Commitment[10]	5	7,788.62	5	7,041.17	5	19,393.40
Non-Power Sector PSUs							
1	Equity capital outgo from budget	5	5.46	1	2.50	1	0.01
2	Loans given from budget	7	2,641.54	4	1,769.95	3	2,751.35
3	Grants/Subsidy given from budget*	10	2,000.45	9	1,217.33	10	2,132.69
4	**Total Outgo[8]**	**15**	**4,647.45**	**12**	**2,989.78**	**12**	**4,884.05**
5	Loans converted into equity	0	0.00	1	2.03	0	0.00
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0.00
7	Guarantees issued[9]	1	17,000.00	2	2,700.00	3	2,566.92
8	Guarantee Commitment[10]	3	17,725.04	5	20,223.37	4	12,610.17
Total							
1	Equity capital outgo from budget	7	2,405.45	3	2,002.50	2	1.96
2	Loans given from budget	7	2,641.54	4	1,769.95	3	2,751.35
3	Grants/Subsidy given from budget*	13	7,052.67	12	5,967.50	13	7,794.08
4	**Total Outgo[8]**	**18**	**12,099.66**	**15**	**9,739.95**	**16**	**10,547.39**
5	Loans converted into equity	0	0	1	2.03	0	0
6	Loans, Interest/ Penal interest written off	0	0	0	0	0	0

[8] The figure of total outgo represents the PSUs which have received outgo from the State Government's budget under one or more heads i.e. equity, loans, grants/ subsidy

[9] Government guarantee issued to the PSUs during a particular year

[10] Closing balance of Government guarantee in respect of PSUs at the end of a particular year

Sl. No.	Particulars	2018-19		2019-20		2020-21	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
7	Guarantees issued[9]	1	17,000.00	2	2,700.00	5	15,153.85
8	Guarantee Commitment[10]	8	25,513.66	10	27,264.54	9	32,003.57

** Includes grants/subsidy towards operational and management expenses not ascertainable separately*

Source: Accounts/information furnished by PSUs

During the year 2020-21, total outgo from the Government was ₹10,547.39 crore (***Appendix 5.2***). Out of this, 53.58 *per cent* (₹5,651.65 crore) of subsidy/ grant was given mainly towards tariff subsidy to DISCOMs (TSNPDCL and TSSPDCL). However, despite receipt of subsidies/grants, the financial position of these DISCOMs remains highly precarious with huge accumulated losses.

The outgo in the form of subsidy/grants to non-power sector PSUs was higher (₹2,132.69 crore) in 2020-21 compared to previous year (₹1,217.33 crore). During the year 2020-21, ₹1,221.41 crore was released to Telangana State Water Resources Infrastructure Development Corporation Limited towards servicing the earlier loans, ₹600.00 crore to TSRTC towards reimbursement of bus pass concessions and ₹162.10 crore to Telangana State Housing Corporation Limited for construction of 2 BHK houses.

Further, Government guarantees issued (July 2020) during the year includes ₹12,586.93 crore to State DISCOMs for availing Special Long-Term Transition Loans to inject liquidity under Special Economic Package of Government of India (GoI) - Covid-19 Pandemic.

Out of ₹10,547.39 crore budgetary support provided by the State Government during the year 2020-21, ₹3,526.88 crore was provided to four working PSUs whose accounts were in arrears for three or more years. Details are given in ***Appendix 5.2.***

5.6 Returns from the PSUs

During the year 2020-21, out of the 30 PSUs, 12 PSUs earned profits, 16 PSUs earned losses and two[11] PSUs had reported neither profit nor loss.

5.6.1 Profits earned by PSUs

Out of 30 PSUs, 12 PSUs earned profit of ₹728.63 crore during 2020-21 as compared to 11 PSUs which reported profit of ₹1,456.80 crore during 2019-20. Of these, The Singareni Collieries Company Limited reported reduction in Profit Before Tax by ₹1,983.00 crore in 2020-21 due to COVID-19 Pandemic. Other PSUs have not disclosed the COVID-19 impact in their financial statements. Further, out of these, 11 PSUs reported Profit due to operational income, while the remaining one PSU[12] reported profit from non-operating income. Two[13]

[11] (i) Telangana Power Finance Corporation Limited and (ii) Musi Riverfront Development Corporation Limited

[12] Telangana State Minorities Finance Corporation

[13] Telangana Fiber Grid Corporation Limited and The Nizam Sugars Limited

PSUs reported a turnaround from previous year. Further one[14] PSU suffered a loss after earning profit in the previous year.

The Return on Equity (ROE) of the profit-making PSUs was 7.21 *per cent* in 2020-21 as compared to 12.43 *per cent* in 2019-20. ROE for the PSUs as a whole i.e., including 16 loss making and two zero profit companies could not be worked out as both the overall Net Profits and Net Worth as on 31 March 2021 were negative.

Net profit of ₹648.21 crore (constituting 84.35 *per cent* of total Net Profit) was contributed by three[15] PSUs in the Power Sector.

Table 5.8: List of top profit making PSUs in 2020-21

(₹ in crore)

Sl. No.	Name of PSU	Net Profit after Tax
Power Sector		
1	The Singareni Collieries Company Limited	272.64
2	Telangana State Power Generation Corporation Limited	168.80
3	Transmission Corporation of Telangana Limited	206.77
Non-Power Sector		
4	Telangana State Forest Development Corporation Limited	51.83
	Total	**700.04**

Source: Accounts/information furnished by PSUs

The above four PSUs contributed 96.08 *per cent* of the total profit earned by 12 PSUs (₹728.63 crore) during 2020-21. Out of these, PSUs at Sl. Nos. (1), (3) and (4) are operating under monopolistic conditions.

5.6.2 Dividend Payout

The State Government had not formulated any dividend policy under which PSUs would be required to pay a minimum return on the paid-up share capital contributed by the State Government. We observed that out of the 12 profit making PSUs, only one PSU i.e., The Singareni Collieries Company Limited, which is jointly owned by Government of Telangana and GoI paid dividend of ₹208.95 crore and ₹173.32 crore during 2019-20 and 2020-21 respectively. Though the dividend declared as a percentage of Net Profit increased from 21.02 *per cent* in 2019-20 to 63.57 *per cent* in 2020-21, the dividend declared in 2020-21 decreased by ₹35.63 crore as compared to the previous year.

The return in the form of dividend on total equity of ₹21,141.24 crore of 30 PSUs was 0.82 *per cent* in 2020-21 as compared to 0.99 *per cent* during 2019-20.

[14] Wehub Foundation
[15] SCCL, TSGENCO and TSTRANSCO

5.7 Losses incurred by PSUs

5.7.1 Losses incurred

Out of 30 PSUs, 16 PSUs incurred losses during the year 2020-21. The losses incurred by these 16 PSUs increased to ₹10,295.63 crore in 2020-21 from ₹7,836.49 crore during 2019-20 as given in ***Table 5.9*** below.

Table 5.9: Number of PSUs that incurred losses

(₹ in crore)

Year	Number of loss-making PSUs	Net Loss for the Year	Accumulated Loss	Net Worth
Power Sector PSUs				
2018-19	3	(-)8,018.75	(-)36,233.65	(-)20,346.38
2019-20	2	(-)6,056.55	(-)42,292.99	(-)24,405.86
2020-21	2	(-)7,062.96	(-)48,982.22	(-)31,095.09
Non-Power Sector PSUs				
2018-19	15	(-)1,464.18	(-)10,955.55	(-)10,740.37
2019-20	13	(-)1,779.94	(-)12,846.27	(-)12,266.89
2020-21	14	(-)3,232.67	(-)18,337.42	(-)17,817.82
Total				
2018-19	18	(-)9,482.93	(-)47,189.20	(-)31,086.75
2019-20	15	(-)7,836.49	(-)55,139.26	(-)36,672.75
2020-21	16	(-)10,295.63	(-)67,319.64	(-)48,912.91

Source: Accounts/information furnished by PSUs

Out of total losses of ₹10,295.63 crore, the power sector share was ₹7,062.96 crore and non-power sector share was ₹3,232.67 crore.

The total accumulated losses of 19 PSUs including 16 loss making PSUs was ₹67,580.38 crore and after setting off accumulated profit of nine PSUs (₹7,723.78 crore), the net accumulated losses were at (-)₹59,856.60 crore.

PSUs listed in ***Table 5.10*** below incurred loss of more than ₹50 crore during the year 2020-21.

Table 5.10: List of PSUs that incurred loss of more than ₹50 crore in 2020-21

(₹ in crore)

Sl. No.	Name of PSU	Net Loss
Power Sector		
1	Southern Power Distribution Company of Telangana Limited	4,622.60
2	Northern Power Distribution Company of Telangana Limited	2,440.36
Non-Power Sector		
3	Telangana State Road Transport Corporation	2,329.23
4	Telangana State Housing Corporation Limited	733.15
5	Hyderabad Metro Rail Limited	96.46
6	Telangana Rajiv Swagruha Corporation Limited	66.27

Source: Accounts/information furnished by PSUs

Out of total losses of ₹10,295.63 crore incurred by 16 PSUs during 2020-21, losses of ₹7,062.96 crore constituting 68.60 *per cent* of total losses incurred was contributed by the two DISCOMs (TSSPDCL and TSNPDCL).

5.7.2 Erosion of Capital in PSUs

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been wiped out by accumulated losses.

As on 31 March 2021, the paid up capital and accumulated losses of these 30 PSUs was ₹21,141.24 crore and ₹59,856.60 crore respectively, resulting in a negative net worth of ₹38,741.14 crore after adjustment of deferred revenue expenditure of ₹25.78 crore. This indicates that the investment made by the State Government in these PSUs had been completely wiped off. Out of 30 PSUs, 19 PSUs reported accumulated loss of ₹67,580.38 crore, nine PSUs reported accumulated profit of ₹7,723.78 crore and two PSUs had reported neither profit nor loss. Out of this, accumulated losses of five[16] PSUs represent 98.42 *per cent.* The maximum net worth erosion was noticed in respect of TSSPDCL (₹21,537.41 crore), TSNPDCL (₹9,557.68 crore), Telangana State Road Transport Corporation (₹7,797.02 crore), Hyderabad Metro Rail Limited (₹2,374.84 crore) and Telangana State Housing Corporation Limited (₹7,101.80 crore). Three[17] PSUs, having accumulated losses, earned profit of ₹5.76 crore during the year 2020-21.

Out of 30 PSUs, net worth of 15 PSUs had been completely eroded due to accumulated losses leading to negative net worth. The negative net worth of these PSUs was ₹49,142.76 crore due to accumulated losses of ₹67,580.38 crore against their paid-up capital of ₹18,453.55 crore as on 31 March 2021 (***Appendix 5.3***). Of the 15 PSUs having negative Net worth, seven PSUs had Government loans outstanding as on 31 March 2021 amounting to ₹14,921.08 crore.

5.8 Debt Servicing

5.8.1 Interest Coverage Ratio (ICR)

The ICR is used to determine the ability of a company to pay interest on outstanding debt. This is calculated by dividing the profit/ Earnings Before Interest and Taxes (EBIT) by the interest expenses of the same period. The lower the ratio, the lesser is the ability of the Company to pay the interest on debt. An ICR of below 'one' indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of ICR of PSUs who have paid interest from 2018-19 to 2020-21 on loans from all sources are given in the ***Table 5.11***.

[16] S.No.1,2,4,5 and 13 of Appendix 5.4

[17] Hyderabad Growth Corridor Limited, Telangana State Minorities Finance Corporation and The Nizam Sugars Limited

Table 5.11: ICR of PSUs

(₹ in crore)

Year	EBIT	Interest	ICR	Number of PSUs having interest burden	Number of PSUs having ICR more than 1	Number of PSUs having ICR less than 1
(1)	(2)	(3)	(4)	(5)	(6) Out of Column 5	(7) Out of Column 5
Power Sector PSUs						
2018-19	622.02	5,611.34	0.11:1	6	4	2
2019-20	3,421.08	6,572.75	0.52:1	6	3	3
2020-21	1,491.51	7,386.00	0.20:1	6	4	2
Non-Power Sector PSUs						
2018-19	(-)1,007.48	279.79	(-)3.60:1	5	0	5
2019-20	(-)1,499.85	273.61	(-)5.48:1	6	0	6
2020-21	(-)2,892.84	266.00	(-)10.88:1	3	0	3
Total						
2018-19	(-)385.46	5,891.13	(-)0.07:1	11	4	7
2019-20	1,921.23	6,846.36	0.28:1	12	3	9
2020-21	(-)1,401.33	7,652.00	(-)0.18:1	9	4	5

Source: Accounts/information furnished by PSUs

We observed that the overall ICR of PSUs ranged between (-)0.07 and 0.28 during 2018-19 to 2020-21. The ICR of Non-Power Sector PSUs was negative in all the three-years. The Power Sector PSUs fared better. The ICR of Power Sector PSUs decreased during the year 2020-21 in comparison to the previous year mainly due to decrease in EBIT of The Singareni Collieries Company Limited and DISCOMs. However, the overall ICR remained below 'one'. This indicates that the PSUs with interest payment obligations are not generating sufficient revenues to meet their interest obligation.

5.8.2 Age wise analysis of interest outstanding on State Government loans

Out of 9 PSUs having interest payment obligations, four PSUs accounted for interest on State Government loans amounting to ₹799.16 crore out of which ₹708.91 crore was paid to the Government in 2020-21. As on 31 March 2021, interest amounting to ₹396.14 crore was outstanding on long term loans provided by the State Government. Age-wise analysis of interest outstanding on State Government loans of Telangana PSUs as on 31 March 2021 is detailed in ***Table 5.12***.

Table 5.12: Age-wise analysis of interest outstanding on State Government's Loans

(₹ in crore)

Sl. No.	Name of the PSU	Outstanding Interest on State Government Loans as on 31 March 2021	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1-3 years	Interest on State Government loans outstanding for more than 3 years
Power Sector PSUs					
1	Transmission Corporation of Telangana Limited	174.73	58.17	116.34	0.22
Non-Power Sector PSUs					
2	Telangana State Forest Development Corporation Limited	18.56	0.00	0.00	18.56
3	Telangana State Seeds Development Corporation Limited	43.62	32.08	11.54	0.00
4	The Nizam Sugars Limited	159.23	0.00	9.30	149.93
Total		**396.14**	**90.25**	**137.18**	**168.71**

Source: Accounts/information furnished by PSUs

It is evident from the above that 42.59 *per cent* of interest on State Government loans was outstanding for more than three years.

Accumulation of outstanding interest indicates that PSUs have not remitted interest on the State Government loans within time.

5.9 Operating Efficiency of PSUs

5.9.1 Return on Investment

The PSUs are expected to yield reasonable return on investment made by the Governments. The profitability of a company is assessed through Return on Equity and Return on Capital Employed.

5.9.1.1. Return on Equity

Return on Equity (RoE) is a measure of financial performance to assess how effectively the management is using company's assets to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a Company's shareholders if all assets were sold and all debts repaid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders fund means that liabilities exceed its assets.

The PSU-wise details of RoE are given in ***Appendix 5.4***. The consolidated figures of shareholders fund and RoE of 30 PSUs during the period from 2018-19 to 2020-21 are given below in ***Table 5.13***:

Table 5.13: Shareholders' fund and RoE of PSUs

(₹ in crore)

Year	Net Profit/Loss	Shareholders' Fund	RoE (in *per cent*)
Power Sector PSUs			
2018-19	(-)5,831.07	(-)10,341.82	-
2019-20	(-)4,681.39	(-)12,983.85	-
2020-21	(-)6,413.64	(-)21,136.65	-
Non-Power Sector PSUs			
2018-19	(-)1,402.35	(-)10,432.95	-
2019-20	(-)1,698.30	(-)11,908.24	-
2020-21	(-)3,153.36	(-)17,604.49	-
Total			
2018-19	(-)7,233.42	(-)20,774.77	-
2019-20	(-)6,379.69	(-)24,892.09	-
2020-21	(-)9,567.00	(-)38,741.14	-

Source: Accounts/information furnished by PSUs

As can be seen from the above table, both the shareholders fund and the net income were negative during all the three years from 2018-19 to 2020-21 for both Power Sector and Non-Power Sector PSUs. Hence, the RoE could not be worked out. Negative shareholders fund indicates that the liabilities of the PSUs have exceeded the assets and instead of the PSUs paying returns to the shareholders, the shareholders owe money to the creditors of the working PSUs. The negative RoE was contributed mainly by TSSPDCL, TSNPDCL, TSRTC and Telangana State Housing Corporation Limited as given in ***Appendix 5.4.***

5.9.1.2. Return on Capital Employed

Return on Capital Employed (RoCE) is a profitability metric that measures the long-term profitability and efficiency with which the total capital is employed by a company. The RoCE is calculated by dividing a company's profit/ earnings before interest and taxes (EBIT) by the capital employed[18]. RoCE is an important decision metric for long term lenders. The significance of RoCE becomes obvious when it is juxtaposed against RoE which measures the efficiency with which a company's assets have been used to create profits for its shareholders.

The PSU wise RoCE is given in ***Appendix 5.5***. The consolidated RoCE of 30 PSUs during 2018-19 to 2020-21 is given in ***Table 5.14***.

[18] Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure

Table 5.14: Return on Capital Employed of PSUs

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (%)
(1)	(2)	(3)	(4) Col 2/Col 3 x 100
Power Sector PSUs			
2018-19	622.02	34,074.41	1.83
2019-20	3,421.08	37,164.77	9.21
2020-21	1,491.51	44,458.36	3.35
Non- Power Sector PSUs			
2018-19	(-)1,115.19	11,693.20	(-)9.54
2019-20	(-)1,411.67	16,583.34	(-)8.51
2020-21	(-)2,873.86	15,729.93	(-)18.27
Total			
2018-19	(-)493.17	45,767.61	(-)1.08
2019-20	2,009.41	53,748.11	3.74
2020-21	(-)1,382.35	60,188.29	(-)2.30

Source: Accounts/information furnished by PSUs

The RoCE of the PSUs was 3.74 *per cent* for the year 2019-20 whereas for the remaining years, the RoCE was negative. The positive RoCE during 2019-20 was on account of increase in the EBIT of Power Sector PSUs by nearly six times in 2019-20 as compared to 2018-19. The decrease in EBIT of Power Sector PSUs in 2020-21 was due to decrease in earnings of SCCL as compared to the previous year, which was mainly due to steep fall in its Revenue from Operations due to COVID-19 pandemic.

Further, the RoCE of 13 out of 30 PSUs (all the seven Power Sector PSUs and six Non-Power Sector PSUs[19]) which generate their own revenue and run-on commercial lines was positive (7.62 *per cent*) for the year 2019-20 and negative for the years 2018-19 (0.14 *per cent*) and 2020-21 (1.35 *per cent*). The RoCE of the remaining 17 PSUs in Non-Power Sector was negative ranging from 3.50 *per cent* (2018-19) to 4.24 *per cent* (2020-21) during the same period due to negative EBIT.

5.9.1.3. Rate of Real Return on Investment

The Rate of Real Return on Investment (RoRR) measures the profitability and efficiency with which equity and similar non-interest bearing capitals have been employed, after adjusting them for their time value and assumes significance when compared with the conventional Rate of Return on Investment (RoR), which is calculated by dividing the Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis. Investment for this purpose included equity, interest free loans, subsidies and grants for

[19] Telangana State Forest Development Corporation Limited, Telangana State Seeds Development Corporation Limited, Damodhara Minerals Private Limited, The Nizam Sugars Limited, Telangana State Road Transport Corporation and Telangana State Technology Services Limited

operational and management expenses. Rate of Real Return on Investment is the percentage of profit or loss to the total investment.

(a) Rate of Real Return on the basis of historical cost of investment

The State Government infused funds in the form of equity, loans and subsidies/ grants for operational and management expenses in PSUs. RoRR from the PSUs has been calculated on the total investment (i.e, investments made by State, Central Governments & Others) in the form of equity, loans and subsidies/ grants for operational and management expenses. In the case of loans, only interest free loans are to be considered as investment since the State Government does not receive any interest on such loans and are therefore of the nature of equity investment except to the extent that the loans are liable to be repaid as per the terms and conditions of repayment.

Further, apportionment of assets and liabilities between the successor demerged PSUs resulted in a Reorganisation/ Demerger Adjustment Reserve (surplus/ deficit) which is considered as investment of the State Government since it represented the difference between the balance sheet figures of assets and liabilities as on the date of bifurcation of the erstwhile State of AP and included *inter-alia* the share of equity received by the PSUs of Telangana State.

As on 31 March 2021, the investment in 30 PSUs of Government of Telangana was ₹68,082.59 crore; the investment of Central Government amounted to ₹3,199.25 crore, while the investment of Others was ₹1,058.52 crore.

The details of investment of State Government, Central Government and Others on historical basis is given in ***Appendix 5.6***. It is evident that due to losses during the last seven years, the return on investment was negative throughout the period.

(b) RoRR on the basis of Present Value of Investment

In view of the significant investment made by the Government in the PSUs, Rate of Real Return on such Investment is essential. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the Rate of Real Return on the Investment since such calculations ignore the present value of money. The Present Value (PV) of the investments has been computed to assess the Rate of Real Return on the PV of Investments in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2021, the past investments/ year-wise funds infused in the PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. Therefore, the PV of the Investment in the PSUs was computed on the basis of following assumptions:

- The investment (initial equity net of Re-organisation/ Demerger Adjustment Reserve) of State Government in the PSUs as on the date of bifurcation of the erstwhile State of AP has been considered as the initial investment made by the State Government.
- The funds made available in the form of interest-free loans and subsidies/ grants for operational and management expenses till 31 March 2021 have been reckoned as investment.

- The average rate of interest on government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the State Government.

The total Investment of the State, Central Governments and Others in these 30 PSUs at the end of the year 2020-21 was ₹72,340.36 crore consisting of equity of ₹26,525.92 crore, interest free loans of ₹3,318.73 crore and subsidies/ grants of ₹42,495.71 crore. The PV of investments of the State, Central Governments and Others up to 31 March 2021 worked out to ₹95,870.65 crore. The Rate of Real Return on the PV of investment was negative in all the years due to PSUs incurring losses during all the seven Financial Years from 2014-15 to 2020-21 as detailed in ***Appendix 5.7***.

5.10 Sales and Marketing

5.10.1 Sales and Marketing

During the year 2020-21, the total turnover of 30 PSUs stood at ₹66,316.99 crore as compared to ₹74,021.19 crore during 2019-20. Out of these 30 PSUs, eight PSUs rendered goods/ services worth ₹32,903.83 crore (51.84 *per cent*) to the Government Sector out of their total sales of ₹63,477.53 crore.

None of the PSUs exported goods/services during 2020-21. However, the Singareni Collieries Company Limited imported goods/services worth ₹43.38 crore during 2020-21.

5.10.2 Research and Development (R&D)

R&D has numerous benefits for a Company such as:

- R&D can help develop unique/innovative products and services resulting in improved sales and profits;
- Innovative products can confer competitive advantage to the Company;
- Tax Benefits for undertaking R&D activities are available under Income Tax Act, 1961.

During the year 2020-21, only one PSU *viz*., SCCL undertook R&D related activities. The Company spent ₹3.60 crore during 2020-21 on R&D as against ₹3.73 crore during 2019-20.

As can be seen, the PSUs are found wanting in the field of R&D expenditure. In view of the benefits, the State Government should encourage PSUs to undertake R&D activities through budgetary support.

5.11 Appointment of Statutory Auditors of PSUs by CAG

The CAG appoints statutory auditors of a Government Company or Government controlled other Company under Sections 139 (5) of the Companies Act, 2013. The CAG has a right to conduct supplementary audit and issues comments upon or supplement the audit report of the statutory auditor. Similar provision exists in case of Statutory Corporations for appointment of auditors in the respective Acts. Sections 139(5) of the Companies Act, 2013

provides that the Statutory Auditors in case of Government Companies are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Accordingly, the Statutory Auditors for the respective year were appointed by the CAG .

5.12 Submission of Accounts by PSUs

5.12.1 Need for timely submission

According to Section 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both Houses of the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies and Corporations from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Provided that in case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the Company and in any other case, within a period of six months, from the date of closing of the financial year. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year has to be placed in the said AGM for consideration. Consequently, the Financial Statements needs to be prepared and placed in the AGM by 30 September of the following year.

However, Registrar of Companies, Ministry of Corporate Affairs have extended the due date for holding AGM by two months i.e., up to 30 November 2021 in view of the Covid-19 Pandemic. Consequently, the financial statements also need to be prepared and placed in the AGM by 30 November 2021.

5.12.2 Penalty for violation of provisions of the Act

Section 99 of the Companies Act 2013 provides that if any default is made in holding a meeting of the Company in accordance with section 96, the Company and every officer of the Company who is in default shall be punishable with fine which may extend to one lakh rupees and in the case of a continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues.

Further, Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the Company for non-compliance of laying of Financial Statements at every AGM for the financial year.

5.12.3 Submission of annual accounts by PSUs

As of 31 March 2021, there were 82 PSUs under the purview of CAG's audit. Out of 82 PSUs, 16 PSUs are inactive. Out of the remaining 66 working PSUs only seven Companies submitted their accounts for the financial year 2020-21 by 30 September 2021. Accounts of

56 working Government Companies and three Statutory Corporations were in arrears ranging from one to seven years. Details of arrears in submission of accounts of PSUs are given in **Table 5.15** below:

Table 5.15: Delay in submission of accounts by PSUs

Particulars		Government Companies	Statutory Corporations	Total
Total number of PSUs as on 31 March 2021		79	03	82
Number of PSUs which presented the accounts for CAG's audit by 30 September 2021		7	0	7
Number of Companies whose accounts are in arrears		72	03	75
Break- up of Arrears	(i) Under Liquidation	8	0	8
	(ii) Defunct	8	0	8
	(iii) Others	56	03	59
Age– wise analysis of arrears against 'Others' category	One year (2020-21)	15	0	15
	Two years (2019-20 and 2020-21)	08	0	08
	Three years and more	**33**	**03**	**36**

Source: Accounts furnished by PSUs

Out of the 56 Government Companies, accounts of 33 Companies were due for three or more years. Out of these 33 Companies, 16 Companies have not even submitted their first accounts as on 30 September 2021 since their incorporation.

Separate Audit Reports (SARs) are the Audit Reports of the CAG on the accounts of Statutory Corporations. These are to be laid before the State Legislature as per the provisions of the respective Acts. Out of all the three working Statutory Corporations (Telangana State Warehousing Corporation, Telangana State Financial Corporation and TSRTC) under the audit of CAG in Telangana, CAG is the sole auditor in respect of TSRTC. However, none of the Statutory Corporations have submitted their accounts since their inception.

As a result of delay/non submission of accounts, the legislative control over the money invested in Government Companies could be jeopardised. The efficiency and effectiveness with which public funds were managed by these Companies could not be ascertained. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods / services, fraud, corruption and loss to the public exchequer.

5.13 CAG's oversight- Audit of accounts and supplementary audit

5.13.1 Financial Reporting Framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, as recommended by the Institute of Chartered Accountants of India, after consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules,

framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

5.13.2 Audit of accounts of Government Companies by Statutory Auditors

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory Auditors in audit of PSUs with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- To issue directions to the Statutory Auditors under Section 143 (5) of the Companies Act, 2013 and
- To supplement or comment upon the Statutory Auditor's report under Section 143 (6) of the Companies Act, 2013.

5.13.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of Financial Statements in accordance with the Financial Reporting Framework prescribed under the Companies Act, 2013 or other relevant Act is of the Management of an entity.

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the standards on auditing prescribed under Section 143 (9) of the Act and directions given by the CAG. The Statutory Auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 which are to be placed before the Annual General Meeting (AGM) of respective Government Company/ Government Controlled Other Company.

5.14 Result of CAG's oversight

5.14.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013

During the period from 1 January 2021 to 30 September 2021, 24 Government Companies submitted 33 accounts for the period spanning from 2015-16 to 2020-21 for audit by CAG. Of these, the CAG reviewed 27 Accounts of 23 PSUs.

5.14.2 Revision of Auditors Report

As a result of supplementary audit of Financial Statements conducted by the CAG, the Statutory Auditors of seven Government Companies revised their report (January 2021 to September 2021) as detailed in ***Appendix 5.8***.

5.14.3 Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on Government Companies/Government Controlled Other Companies

Subsequent to the audit of Financial Statements by Statutory Auditors, the CAG conducted supplementary audit of 27 Financial Statements of the 23 Government Companies. Out of 27 Financial Statements, Non-Review Certificate was issued in 11 cases, NIL comments were issued in two cases and in the remaining 14 cases comments were issued. The list of State PSUs in respect of whom comments were issued is given in ***Appendix 5.9***. Some of the significant comments issued on Financial Statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹302.03 crore and on assets/ liabilities was ₹6,041.46 crore, are detailed below:

(a) Comments on Profitability:

Sl. No.	Name of the Company (Year of Accounts)	Comments
		Power Sector PSUs
1	Northern Power Distribution Company of Telangana Limited (2019-20)	**Depreciation and amortisation expense (Note 13): ₹444.86 crore** The Company applied depreciation rates notified by the Ministry of Power instead of adopting the depreciation rates notified by Central Electricity Regulatory Commission which resulted in overstatement of loss for the year, Depreciation and amortisation expenses and understatement of Tangible Assets as at 31 March 2020 by ₹174.31 crore each.
2	Northern Power Distribution Company of Telangana Limited (2019-20)	**Other Expenses:(Note 28): ₹305.09 crore** The Company made a provision for ₹113.30 crore that was recognized as Revenue from Operations in 2018-19, the realization of which was not uncertain since the Government sanctioned the said amount in line with the Tripartite MOU. Hence, the provision made resulted in overstatement of loss for the year and Other Expenses and understatement of Other Current Assets by ₹113.30 crore each.
3	Telangana State Renewable Energy Development Corporation Limited (2017-18)	**Other Income (Note 17): ₹9.56 crore** The Company accounted ₹6.08 crore as other income instead of accounting it as part of Government Grant received/unspent as per sanction order of the Grant. This resulted in overstatement of Other Income and understatement of Other Current Liabilities by ₹6.08 crore each with consequent understatement of loss by ₹4.09 crore for the year (after converting Profit of ₹1.79 crore into loss).
		Non-Power Sector PSUs
4	Telangana Drinking Water Supply Corporation Limited (2017-18)	**Operation and Maintenance Expenses: ₹5.32 crore** The company did not account for ₹6.18 crore towards O&M expenditure incurred as on 31 March 2018 resulting in understatement of loss for the year and Expenses and Current Liabilities by ₹6.18 crore each.
5	Telangana State Industrial Infrastructure Corporation Limited (2016-17)	**Other Expenses (Note 23): ₹26.30 crore** The Company did not account for ₹2.16 crore towards professional fees payable for the period from 1993 to 2017. This resulted in understatement of loss for the year, Other Expenses and Current Liabilities by ₹2.16 crore each.

(b) Comments on Financial Position:

Sl. No.	Name of the Company (Year of Accounts)	Comments
		Power Sector PSUs
1	Northern Power Distribution Company of Telangana Limited (2019-20)	**Other current assets (Note 22): ₹3,654.59 crore** The Company did not recognise ₹762.86 crore, being investment in DISCOMs under UDAY scheme to be funded by the State Government in 2019-20 as per the Tripartite MOU. This has resulted in understatement of Other Current Assets and Reserves and Surplus by ₹762.86 crore each.
		Non-Power Sector PSUs
2	Hyderabad Growth Corridor Limited (2016-17)	**Long Term Borrowings (Note 3.1): ₹5,253.23 crore** The Company accounted the funds of ₹2,842.42 crore provided by Hyderabad Metropolitan Development Authority (HMDA) to meet the expenditure on implementation of Hyderabad Growth Corridor Project (HGCP) as Capital Work in Progress (CWIP). But the funds provided by HMDA were not accounted as advances resulting in overstatement of Long-Term Borrowings and understatement of Advances by ₹2,842.42 crore each.
3	Hyderabad Growth Corridor Limited (2016-17)	**Capital Work in Progress (Note 5.2): ₹5,634.49 crore** The Company accounted the annuities of ₹1,590.14 crore paid towards completed projects as CWIP instead of transferring such completed projects to the HMDA and adjusting the annuity payments from the funds received from HMDA. This resulted in overstatement of CWIP and Long-term borrowings by ₹1,590.14 crore each.
4	Hyderabad Road Development Corporation Limited (2018-19)	**Other Current Assets: ₹19.46 crore** The Company neither accounted for ₹50.00 crore received from the State Government nor adjusted it with receivables from Government amounting to ₹18.17 crore. This resulted in understatement of Other Current Assets and Other Current Liabilities by ₹31.83 crore each.
5	Telangana State Civil Supplies Corporation Limited (2015-16)	**Shareholders' Funds - Reserves and Surplus (Note 3): ₹80.34 crore** The Company accounted for the Demerger Adjustment Account balance of ₹180.44 crore, being the surplus of Assets over Liabilities, under 'Current Liabilities' instead of showing the same separately under 'Reserves and Surplus'. This resulted in understatement of Reserves and Surplus and overstatement of Current Liabilities by ₹180.44 crore each.

Sl. No.	Name of the Company (Year of Accounts)	Comments
6	Telangana State Water Resources Infrastructure Development Corporation Limited (2018-19)	**Other Long Term Liabilities (Note 4): Security Deposits: ₹245.99 crore** The Company refunded Security Deposit (SD) of ₹102.71 crore to the contractors and adjusted it against the SD recovered after Company's incorporation instead of accounting for the same as receivable from the Government since the SD was recovered and retained by the State Irrigation Department prior to Company's incorporation. This resulted in understatement of SD and Receivables from Government by ₹102.71 crore each.
7	Telangana State Water Resources Infrastructure Development Corporation Limited (2018-19)	**Capital work in progress (Note 7): ₹5,843.88 crore** The Company accounted for the amount of ₹512.89 crore paid to Transmission Corporation of Telangana Limited towards electrical works of various projects as CWIP instead of accounting the same as Deposits/Advances. This resulted in overstatement of CWIP and understatement of Deposits/Advances by ₹512.89 crore each.

(c) Comments on Disclosure:

Sl. No.	Name of the Company (Year of Accounts)	Comments
	Power Sector PSUs	
1	Northern Power Distribution Company of Telangana Limited (2019-20)	**Revenue from Operations (Note 23): ₹12,848.57 crore** Non-commitment of the State Government for ₹684.74 crore, being the difference of tariff subsidy (₹4,254.15 crore) as approved by Telangana State Electricity Regulatory Commission and the amount (₹3,569.40 crore) actually released to the Company by the State Government was not disclosed.
	Non-Power Sector PSUs	
2	Telangana State Forest Development Corporation Limited (2017-18)	The Company neither accounted for penal interest of ₹6.77 crore up to 31 March 2018 nor appropriately disclosed the fact of rejection of its request (February 2020) for waiver of the same by the Government.
3	Telangana State Civil Supplies Corporation Limited (2015-16)	The Corporation did not disclose the fact of recognition of ₹675.88 crore as Income and Receivables during the year although the final claim was not submitted to the Government of India (December 2020).
4	Telangana State Police Housing Corporation Limited (2018-19)	The Company neither provided the liability to pay penalty/interest on the unpaid GST (₹4.40 crore) nor disclosed the fact in the Financial Statements.

Sl. No.	Name of the Company (Year of Accounts)	Comments
5	Telangana State Water Resources Infrastructure Development Corporation Limited (2018-19)	The fact that State Government incurred an expenditure of ₹15,400.60 crore on various irrigation projects prior to incorporation of the Company and their take over by the Company on continuing/ongoing basis for its operations was not suitably disclosed.

5.15 Non-Compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards. Besides these, the Central Government notified 39 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The Statutory Auditors reported that six Companies as detailed in ***Appendix 5.10*** did not comply with mandatory Accounting Standards/Ind AS.

During the course of supplementary audit carried out between January 2021 and September 2021, it was observed that four Companies had not complied with AS/Ind AS, which was not reported by their Statutory Auditors. Details in respect of four PSUs are given below:

Sl. No	Accounting Standard/ Ind AS	Name of the Company (Year of Accounts)	Deviation
Power Sector PSUs			
1	AS 1: Disclosure of Accounting Policies	Northern Power Distribution Company of Telangana Limited (2019-20)	Non-disclosure of change in accounting policy to recognise the loss funding by the State Government under UDAY Scheme.
Non-Power Sector PSUs			
2	AS 5: Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Telangana Urban Finance & Infrastructure Development Corporation Limited (2017-18)	Prior period expenditure was recognised as current year expenditure.
3	AS 29: Provisions, contingent liabilities and Contingent assets	Hyderabad Growth Corridor Limited (2015-16 and 2016-17)	Non-disclosure of information regarding cases pending in Arbitration against the Company and appeal cases pending in the Hon'ble High Court.
4	AS 10: Property, Plant and equipment	Telangana Drinking Water Supply Corporation Limited (2017-18)	Accounting policy to provide depreciation charge on Property, Plant and Equipment was contrary to the provisions of Accounting Standard 10.

5.16 Management Letters

One of the objectives of financial audit is to establish communication between the auditor and those charged with the responsibility of governance of the corporate entity on audit matters arising from the audit of Financial Statements.

The material observations on the Financial Statements of the PSUs were reported as comments by the CAG under Section 143(6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to a) application and interpretation of accounting policies b) adjustments arising out of audit and c) Inadequate disclosure or non-disclosure of certain information on which management of the concerned PSU gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 11 Management Letters to 10 PSUs as detailed in ***Appendix 5.11***.

5.17 Conclusion

As on 31 March 2021, there were 82 PSUs in Telangana under the audit jurisdiction of CAG. Of these, 16 were inactive. Out of the remaining 66 working PSUs, eight PSUs were related to Power sector and 58 PSUs were related to other sectors. Of these 66 PSUs, only 30 PSUs which furnished their accounts/ information to Audit were considered for analysis of financial performance.

During 2020-21, these 30 PSUs registered turnover of ₹66,316.99 crore, which was equal to 6.76 *per cent* of the GSDP of Telangana State. The contribution of PSUs to GSDP has declined from 8.36 *per cent* in 2018-19 to 6.76 *per cent* in 2020-21.

The investment of the State Government in equity and long-term loans in these 30 PSUs was ₹38,512.85 crore against total investment of ₹1,20,070.67 crore at the end of 31 March 2021. The outstanding long terms loans of these PSUs as on 31 March 2021 increased to ₹98,929.43 crore from ₹78,640.20 crore during the previous year (2019-20).

Out of the 30 PSUs, 12 PSUs earned profits (₹728.63 crore), while 16 PSUs incurred losses (₹10,295.63 crore) and two PSUs had reported neither profit nor loss. The net accumulated losses of these 30 PSUs were ₹59,856.60 crore as on 31 March 2021.

Out of the 66 working PSUs, Financial Statements for the year 2020-21 were received only from seven PSUs in time. 36 PSUs accounts were due for more than three years and 16 PSUs have not even submitted their first accounts since their incorporation.

As a result of the audit of CAG during the period 1 January 2021 to 30 September 2021, Statutory Auditors of seven PSUs revised their Audit Report. Significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹302.03 crore and assets/ liabilities by ₹6,041.46 crore were issued.

5.18 Recommendations

(i) Government of Telangana may review the functioning of all loss making PSUs and take necessary steps to improve their financial performance.

(ii) Government may issue necessary instructions to Administrative Departments to set targets for individual PSUs to furnish the accounts in time and to strictly monitor the clearance of arrears, and take steps expeditiously in order to liquidate the arrears in finalisation of accounts.

(iii) Government may review the inactive Government Companies and take appropriate decision on their revival/winding up.

(SUDHA RAJAN)
Accountant General (Audit), Telangana

Hyderabad
The

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The

Appendices

Appendix 1.1

Profile of Telangana

(Refer paragraph 1.1, page 1)

A	General Data		
Sl. No	**Particulars**		**Figures**
1	Area (source: www.telangana.gov.in)		1,12,077 Sq. km
2	Population		-
	a.	2011	3.51 crore
	b.	2020	3.90 crore
3	a.	Density of Population (as per 2001 Census) (All India Density = 325 persons per Sq. km.)	270 persons per Sq.km
	b.	Density of Population (as per 2011 Census) (All India Density = 382 persons per Sq.km.)	312 persons per Sq.km.
4	Population Below Poverty Line (BPL) 2011-12 (All India Average=21.9 *per cent*)		NA
5	a.	Literacy (as per 2001 Census) (All India Average=64.80 *per cent*)	58 *per cent*
	b.	Literacy (as per 2011 Census) (All India Average=73.00 *per cent*)	72.80 *per cent*
6	Infant mortality (per 1000 live births) (All India Average = 30 per 1,000 live births)		23
7	Life Expectancy at birth (All India Average = 69.40 years)		69.60
8	Gross State Domestic Product (GSDP) 2020-21 at current price		₹ 9,80,407 crore
9	Gross State Domestic Product (GSDP) 2020-21 at constant price		₹6,44,599 crore
10	Per capita GSDP CAGR (2011-12 to 2020-21)	Telangana	11.08
		General States	9.03
11	GSDP CAGR (2011-12 to 2020-21)	Telangana	11.79
		General States	10.30
12	Population Growth (2011 to 2021)	Telangana	7.59
		General States	11.00

B	Financial Data				
	Particulars				
Compounded Annual Growth Rate		General States (2018-19 to 2019-20)	Telangana (2018-19 to 2019-20)	General States (2019-20 to 2020-21)	Telangana (2019-20 to 2020-21)
		(in *per cent*)			
a.	Revenue Receipts	2.08	1.11	(-)4.56	(-)1.59
b.	Tax Revenue	2.12	4.52	(-)4.43	(-)1.40
c.	Non -Tax Revenue	23.38	(-)26.45	(-)35.60	(-)17.11
d.	State's share of union taxes and duties	(-)13.86	(-)13.86	(-)8.60	(-)20.62
e.	Grants-in-Aid from Govt. of India	21.23	41.83	18.54	33.38
f.	Total Receipts	7.82	16.85	7.44	22.13
g.	Revenue Expenditure	5.92	12.07	5.63	13.25
h.	Capital Expenditure	(-)5.55	(-)25.54	(-)2.36	(-)5.56
i.	Disbursements of Loans and Advances	(-)12.69	(-)0.07	2.31	24.92
j.	Total Expenditure	4.16	4.62	4.54	11.64
k.	Revenue Expenditure on Education	11.55	7.20	(-)1.19	(-)0.45
l.	Revenue Expenditure on Health	10.09	21.13	14.51	(-)3.43
m.	Revenue Expenditure on Salary and Wages	9.07	5.15	2.27	1.90
n.	Revenue Expenditure on Pension	10.46	3.11	6.02	14.91
o.	Revenue Expenditure on Subsidies	(-)2.13	8.60	6.55	39.73

Appendix 1.2

Time Series Data on State Government Finances

(Refer paragraph 1.5.1; page 11)

(₹in crore)

		2016-17	2017-18	2018-19	2019-20	2020-21
Part A Receipts						
1	**Revenue Receipts**	**82,818(99.81)**	**88,824(99.84)**	**1,01,420(99.93)**	**1,02,544(99.94)**	**1,00,914(99.94)**
	(i) Tax Revenue	48,408(58.44)	56,520(63.63)	64,674(63.77)	67,597(65.92)	66,650(66.05)
	State Goods and Services Tax	---	13,073(23.13)	23,840(36.86)	23,517(34.79)	22,190(33.29)
	Taxes on Sales, Trade, etc.	34,235(41.33)	25,107(44.42)	20,291(31.37)	20,674(30.58)	20,904(31.36)
	State Excise	5,581(6.74)	9,421(16.67)	10,638(16.45)	11,992(17.74)	14,370(21.56)
	Taxes on Vehicles	3,394(4.09)	3,590(6.35)	3,762(5.82)	3,935(5.82)	3,338(5.01)
	Stamps and Registration fees	3,822(4.61)	4,202(7.43)	5,344(8.26)	6,671(9.87)	5,243(7.87)
	Land Revenue	7(0.01)	4(0.01)	0.42(0)	1(0)	1(0)
	Other Taxes	1,369(1.65)	1,123(1.99)	799(1.24)	807(1.19)	604(0.91)
	(ii) Non-Tax Revenue	9,782(11.79)	7,825(8.81)	10,007(9.87)	7,360(7.18)	**6,101**(6.05)
	(iii) State's share in Union taxes and duties	14,876(17.93)	16,420(18.49)	18,561(18.30)	15,988(15.59)	**12,692**(12.58)
	(iv) Grants-in-Aid from GOI	9,752(11.81)	8,059(9.07)	8,178(8.06)	11,599(11.31)	**15,471**(15.33)
2	Misc. Capital Receipts	0(0)	0(0)	0(0)	0(0)	0(0)
3	Recovery of Loans and Advances	156(0.19)	138(0.16)	66(0.07)	62(0.06)	58(0.06)
4	**Total revenue and Non-debt capital receipts (1+2+3)**	**82,974(64.93)**	**88,962(64.41)**	**1,01,486(66.57)**	**1,02,606(57.60)**	**1,00,972(46.41)**
5	**Public Debt Receipts**	**44,819(35.07)**	**49,153(35.59)**	**50,962(33.43)**	**75,533(42.40)**	**1,16,586(53.59)**
	Internal Debt (excluding Ways and Means Advances and Overdraft)	31,775(70.89)	25,595(52.07)	28,705(56.33)	38,078(50.41)	44,467(38.14)
	Net transactions under Ways and Means Advances and Overdraft	12,088(26.97)	22,922(46.63)	21,823(42.82)	37,248(49.32)	69,454(59.57)
	Loans and Advances from Government of India	956(2.13)	636(1.30)	434(0.85)	207(0.27)	2,665(2.29)
6	**Total Receipts in the Consolidated Fund (4+5)**	**1,27,793(53.95)**	**1,38,115(56.46)**	**1,52,448(57.19)**	**1,78,139(68.24)**	**2,17,558(75.15)**
7	Contingency Fund receipts	0(0)	0(0)	0.09(0)	2.10(0.01)	4.21(0)
8	Public Account receipts	1,09,094(46.05)	1,06,511(43.54)	1,14,152(42.81)	82,860(31.75)	71,937(24.85)
9	**Total Receipts of Government (6+7+8)**	**2,36,887**	**2,44,626**	**2,66,600**	**2,61,001**	**2,89,499**
Part B Expenditure/Disbursement						
10	**Revenue Expenditure**	**81,432**(68.87)	**85,365(73.81)**	**97,083(75.59)**	**1,08,798**(80.97)	**1,23,212(82.14)**
	Plan	24,580(30.18)	0(0)	0(0)	0(0)	0(0)
	Non-plan	56,852(69.82)	85,365(100)	97,083(100)	1,08,798(100)	1,23,212(100)
	General Services (including interest payments)	25,125(30.85)	30,872(36.16)	34,199(35.23)	36,441(33.49)	39,477(32.04)
	Social Services	35,286(43.33)	37,260(43.65)	39,721(40.91)	45,833(42.13)	48,400(39.28)
	Economic Services	20,949(25.73)	17,200(20.15)	23,158(23.85)	26,524(24.38)	35,335(28.68)
	Grant-in-Aid and contributions	72(0.09)	33(0.04)	5(0.01)	0(0)	0(0)
11	**Capital Expenditure**	**33,371(28.22)**	**23,902(20.66)**	**22,641(17.63)**	**16,859**(12.55)	**15,922(10.61)**
	Plan	33,366(99.99)	0(0)	0(0)	0(0)	0(0)
	Non-plan	5(0.01)	23,902(100)	22,641(100)	16,859(100)	15,922(100)
	General Services	567(1.70)	565(2.36)	703(3.11)	645(3.83)	779(4.89)
	Social Services	3,162(9.47)	2,851(11.93)	5,620(24.82)	1,765(10.47)	2,147(13.48)
	Economic Services	29,642(88.83)	20,486(85.71)	16,318(72.07)	14,449(85.70)	12,996(81.62)
12	Disbursement of Loans and Advances	3,402(2.88)	6,209(5.37)	8,706(6.78)	8,700(6.47)	10,868(7.24)

		2016-17	2017-18	2018-19	2019-20	2020-21
13	Inter-State Settlement	50(0.03)	186(0.16)	5(0)	8(0.01)	8(0.01)
14	**Total (10+11+12+13)**	**1,18,255(88.37)**	**1,15,662(80.81)**	**1,28,435(81.73)**	**1,34,365**(74.60)	**1,50,010(66.08)**
15	**Repayment of Public Debt**	**15,568**(11.63)	**27,471(19.19)**	**28,716(18.27)**	**45,740**(25.40)	**76,991(33.92)**
	Internal Debt (excluding Ways and Means Advances and Overdraft)	2,717(17.45)	4,137(15.06)	6,059(21.10)	8,053(17.61)	7,047(9.15)
	Net transactions under Ways and Means Advances and Overdraft	12,088(77.65)	22,922(83.44)	21,823(76)	37,248(81.43)	69,454(90.21)
	Loans and Advances from Government of India	763(4.90)	412(1.50)	834(2.90)	439(0.96)	490(0.64)
16	**Appropriation to Contingency Fund**	**0(0)**	**0(0)**	**0(0)**	**0**(0)	**0(0)**
17	**Total disbursement out of Consolidated Fund (14+15+16)**	**1,33,823(55.95)**	**1,43,133(59.20)**	**1,57,151(58.99)**	**1,80,105(70.32)**	**2,27,001(77.63)**
18	Contingency Fund Disbursements	0.09(0)	0(0)	2.10(0.01)	4.22(0)	0(0)
19	Public account disbursement	1,05,368(44.05)	98,664(40.80)	1,09,222(41)	76,014(29.68)	65,402(22.37)
20	**Total disbursement by the state (17+18+19)**	**2,39,191**	**2,41,797**	**2,66,375**	**2,56,123**	**2,92,403**
Part C Deficits						
21	Revenue Deficit(-)/Surplus(+) (1-10)	1,386	3,459	4,337	(-)6,254	(-)22,298
22	Fiscal Deficit(-)/Surplus (+) (4-14)	(-)35,281	(-)26,700	(-)26,949	(-)31,759	(-)49,038
23	Primary Deficit (-)/Surplus (+) (22-24)	(-)26,672	(-)15,864	(-)14,363	(-)17,373	(-)32,197
Part D Other Data						
24	Interest Payments (included in Revenue Expenditure)	8,609	10,836	12,586	14,386	16,841
25	Financial Assistance to local bodies etc.	30,648	30,416	37,908	44,967	54,284
26	Ways and Means Advances / Overdraft availed (days)	99	7	32	87	315
27	Interest on Ways and Means Advances/Overdraft	7	14	15	29	71
28	Gross State Domestic Product (GSDP)[#]	6,58,235	7,50,050	8,60,078	9,57,207	9,80,407
29	Outstanding fiscal liabilities (year-end) [ψ$]	1,34,738	1,65,849	1,96,963	2,32,181	2,78,018
30	Outstanding guarantees (year-end)[Ω]	29,965	41,892	77,713	89,601	1,05,007
31	Maximum amount guaranteed (yearend)	31,871	41,892	77,713	77,315	89,601
32	Number of incomplete projects*	92	19	20	604	444
33	Capital blocked in incomplete projects*	50,216	70,758	1,00,494	136061	1,53,636
Part E Fiscal Health Indicators						
I	**Resource Mobilization**					
	Own Tax revenue/GSDP	0.074	0.075	0.075	0.071	0.068
	Own Non-Tax Revenue/GSDP	0.015	0.010	0.012	0.008	0.006
	Central transfers/GSDP	0.023	0.022	0.022	0.017	0.013
II	**Expenditure Management**					
	Total Expenditure/GSDP	0.18	0.15	0.15	0.14	0.15
	Total Expenditure/Revenue Receipts	1.43	1.30	1.27	1.31	1.49
	Revenue Expenditure/ Total Expenditure	0.69	0.74	0.76	0.81	0.82

		2016-17	2017-18	2018-19	2019-20	2020-21
	Expenditure on Social Services/Total Expenditure	0.35	0.39	0.40	0.39	0.37
	Expenditure on Economic Services/Total Expenditure	0.43	0.33	0.32	0.33	0.36
	Capital Expenditure/Total Expenditure	0.31	0.26	0.24	0.19	0.18
	Capital Expenditure on Social and Economic Services/ Total Expenditure	0.31	0.25	0.24	0.18	0.17
III	**Management of Fiscal Imbalances**					
	Revenue Deficit (Surplus)/GSDP	0.002	0.005	0.005	(-)0.007	(-)0.023
	Fiscal Deficit/ GSDP	(-)0.054	(-)0.036	(-)0.031	(-)0.033	(-)0.050
	Primary Deficit/ GSDP	(-)0.041	(-)0.021	(-)0.017	(-)0.018	(-)0.033
	Revenue Surplus/Fiscal Deficit	(-)0.039	(-)0.130	(-)0.161	0.197	0.455
	Primary Revenue Balance/ GSDP	0.0154	0.019	0.020	0.009	(-)0.006
IV	**Management of Fiscal Liabilities**					
	Fiscal liabilities/ GSDP	0.205	0.221	0.229	0.243	0.284
	Fiscal liabilities/RR	1.627	1.867	1.942	2.264	2.755
	Primary Deficit *vis-à-vis* quantum spread	(-)2.97	(-)2.06	(-)2.04	(-)3.62	27.45
	Debt Redemption: (Principal + Interest)/Total Debt Receipts	0.703	0.790	0.854	0.805	0.754
V	**Other Fiscal Health Indicators**					
	Return on Investment	0.54	0.62	0.48	0.53	0.43
	Balance from Current Revenue					
	Financial Assets/Liabilities	0.502	0.595	0.658	0.684	0.657

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

[#] GSDP data from Directorate of Economics and Statistics, Government of Telangana

[ψ] 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.

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

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

[Ω] As disclosed in Budget documents.

Appendix 2.1

Borrowings by PSUs / ABs on behalf of State Government during 2020-21 and to the end of 31 March 2021 *(Refer paragraph 2.7.2 and 2.7.4.2; page 63 and 71)*

(₹ in crore)

Sl. No.	Institution	PSU /AB	Borrowings during 2020-21	Borrowings by institution as of March 2021	Guarantee provided by Government as of March 2021	Funds provided (in the form of loans) by Government for payment of interest / repayment of loan	Amount considered as OBB as of March 2021 on conservative approach (Column 5 or 6 whichever is lower)
1	2	3	4	5	6	7	8
1	Kaleshwaram Irrigation Project Corporation Limited	PSU	11,855.21	54,593.14	36,056.77	1,647.13	36,056.77
2	Telangana Drinking Water supply Corporation Limited	PSU	1,040.42	26,416.04	25,006.22	2,701.48	25,006.22
3	Telangana State Water Resources Infrastructure Development Corporation	PSU	2,254,84	11,810.45	11,095.85	995.91	11,095.85
4	Telangana State Housing Corporation Limited	PSU	2,280.00	7,801.74	7,990.11	875.06	7,801.74
5	Telangana State Horticulture Development Corporation Limited	PSU	0.00	874.00	526.67	300.43	526.67
6	Telangana State Industrial Infrastructure Corporation Limited	PSU	0.00	735.07	1,619.57	268.10	735.07
7	Transmission Corporation of Telangana	PSU	0.00	377.81	221.73[@]	252.41	221.73
8	Telangana State Seeds Development Corporation	PSU	0.00	326.47	--	--	0.00
9	Musi Riverfront Development Corporation Limited	PSU	20.00	32.50	--	--	0.00
10	Telangana State Leather Industries Promotion Corporation Limited	PSU	NA	4.98	--	--	0.00
11	Telangana State Power Finance Corporation Limited	PSU	0.00	0.00*	2,922.00	375.31	2,922.00[$]
12	Hyderabad Metropolitan Water Supply and Sewerage Board	AB	0.00	0.00	3,472.57	891.02	3,472.57[&]

Sl. No.	Institution	PSU /AB	Borrowings during 2020-21	Borrowings by institution as of March 2021	Guarantee provided by Government as of March 2021	Funds provided (in the form of loans) by Government for payment of interest / repayment of loan	Amount considered as OBB as of March 2021 on conservative approach (Column 5 or 6 whichever is lower)
13	Telangana State Sheep and Goat Development Cooperative Societies Limited	AB	0.00	3,499.00	2,292.91	797.31	2,292.91
14	Telangana Fishermen Co-operative Societies Federation Limited	AB	56.86	641.24	463.95^	136.72	463.95
15	Telangana State Dairy Development Co-operative Federation Limited	AB	0.00	290.71	290.71	90.41	290.71
16	Telangana State Cooperative Marketing Federation Limited	AB	4,295.54	4,295.54	4,488.96#	--	4,295.54
17	Hyderabad Agriculture Cooperative Association Limited	AB	--	200.00	--	--	0.00
	Total		**21,802.87**	**1,11,898.69**	**96,448.02**	**9,331.29**	**95,181.73**

Source: Finance Accounts, Information furnished by the PSUs/ABs concerned, Government Orders

NA : Not Available

@ This includes Guarantees given to TS GENCO and DISCOMs totaling to ₹6,300.00 crore

** Though the institution informed that it did not obtain any loans on behalf of Telangana Government, a liability of ₹3,509.60 crore raised through Power Finance Corporation in the erstwhile combined State of Andhra Pradesh is allocated to Telangana State Power Finance Corporation, for which the Telangana is paying interest portion*

$ Though the institution did not inform that it had borrowed on behalf of the Government, we noted that its earlier borrowings were on behalf of the Government, which are being serviced from out of the Government Budget

& Though the institution did not inform that it had borrowed on behalf of the Government this year, it informed last year that it had borrowed ₹4,914.00 crore on behalf of the Government and the Government is servicing its repayments through budgets

 # This amount is not appearing the Statement of Guarantees as presented by the Government before the Legislature. However, the institution has informed that the Guarantees are provided by the Government

^ The Institution has informed that the Government has given Guarantees valuing ₹800.00 crore

Appendix 2.2

Liabilities of State Government in the nature of Off-Budget Borrowings

(Refer paragraph 2.7.2; page 64)

(₹ in crore)

Sl. No.	Particulars		Amount
a.	Off budget fiscal operations such as borrowings by State Public Sector Companies, SPVs and other equivalent instruments on behalf of the State Government where the principal and/ or interest are to be serviced out of the State budgets (Refer to Appendix 2.1 for details)		95,181.73
b.	Non-reimbursement of the Principal/interest component by the State Government to State Public Sector Companies/ Corporations, SPVs etc. of the loan taken by them on behalf of the State Government:		659.69
	(i) Hyderabad Growth Corridor Limited For the previous years	 311.52	
	(ii) TRANSCO For the current year For the previous years	 60.87 171.50	
	(iii) Northern Power Distribution Company Limited For the current year For the previous years	 1.39 30.21	
	(iv) Telangana State Industrial Infrastructure Corporation Limited For the previous years From HUDCO From NABARD	 81.91 2.29	
c.	Deployment of own funds by the State Public Sector Companies/Corporations, SPVs etc. for execution of the Deposit work of the State Government which was to be financed by the State Government through borrowings		2,099.03
	(i) Hyderabad Growth Corridor Limited	1,491.21	
	(ii) Northern Power Distribution Company Limited	579.03	
	(iii) Singareni Collieries Company Limited	28.79	
	Total		**97,940.45**

Source: Finance Accounts, Information furnished by the PSUs/ABs concerned

Appendix 2.3

List of Institutions in respect of which Telangana has reservations in bifurcation process

(Refer paragraph 2.8; page 74)

Sl. No.	Name of the Institution included under Schedule IX of the Andhra Pradesh Reorganisation Act, 2014
1.	Andhra Pradesh Dairy Development Corporation, Hyderabad
2.	Andhra Pradesh Dairy Development Cooperative Federation Limited, Hyderabad
3.	Andhra Pradesh State Tourism Development Corporation Limited
4.	Andhra Pradesh GENCO
5.	Andhra Pradesh TRANSCO
6.	Central Power Distribution Corporation Limited
7.	Northern Power Distribution Corporation Limited
8.	Andhra Pradesh Heavy Machinery and Engineering Limited
9.	Andhra Pradesh Power Finance Corporation Limited
10.	Andhra Pradesh State Civil Supplies Corporation Limited
11.	Andhra Pradesh State Film and Television Development Corporation Limited
12.	Andhra Pradesh Housing Board
13.	Deccan Infrastructure and Land Holdings Limited
14.	Andhra Pradesh Water Resources Development Corporation
15.	Andhra Pradesh Industrial Infrastructure Corporation Limited
16.	Andhra Pradesh Industrial Development Corporation Limited
17.	Andhra Pradesh State Finance Corporation
18.	Andhra Pradesh Handicraft Development Corporation Limited
19.	Andhra Pradesh State Handloom Weavers Co-operative Society Ltd. (APCO)
20.	Andhra Pradesh Aviation Corporation Limited
21.	Andhra Pradesh State Road Transport Corporation
22.	Andhra Pradesh Foods
23.	Andhra Pradesh Vikalangula Co-operative Corporation

Appendix 3.1

Excess expenditure against amounts authorised by the Legislature during the year 2020-21

(Refer paragraph 3.4.2.1; page 86)

Sl. No.	Grant No.	Name of the Grant or appropriation	Total Grant (in Rupees)	Expenditure (in Rupees)	Excess expenditure (in Rupees)
Revenue Voted					
1	VI	Excise Administration	2,75,16,67,000	2,86,82,49,183	11,65,82,183
2	IX	Fiscal Administration, Planning, Surveys and Statistics	1,04,50,72,04,000	1,95,73,96,04,430	91,23,24,00,430
3	X	Home Administration	56,41,97,89,000	59,09,00,28,443	2,67,02,39,443
4	XI	Roads, Buildings and Ports	11,88,64,21,000	12,23,56,51,634	34,92,30,634
5	XXXI	Panchayat Raj	43,32,38,13,000	44,70,48,79,798	1,38,10,66,798
6	XXXIV	Minor Irrigation	19,09,39,000	23,51,75,192	4,42,36,192
Sub Total			**2,19,07,98,33,000**	**3,14,87,35,88,679**	**95,79,37,55,679**
Capital Voted					
7	I	State Legislature	0.00	9,56,323	9,56,323
8	V	Revenue, Registration and Relief	2,46,00,000	5,13,28,995	2,67,28,995
9	VI	Excise Administration	1,77,00,000	4,23,37,921	2,46,37,921
10	VIII	Transport Administration	0.00	1,01,142	1,01,142
11	XII	School Education	2,86,53,86,000	4,70,70,53,140	1,84,16,67,140
12	XIV	Technical Education	3,79,06,000	11,45,93,403	7,66,87,403
13	XV	Sports and Youth Services	13,57,63,000	14,48,20,909	90,57,909
14	XVI	Medical and Health	1,95,87,60,000	2,58,83,74,026	62,96,14,026
15	XX	Labour and Employment	8,79,82,000	9,54,48,094	74,66,094
16	XXXII	Rural Development	17,64,01,06,000	19,28,82,44,454	1,64,81,38,454
17	XXXIV	Minor Irrigation	11,16,78,86,000	12,91,26,43,806	1,74,47,57,806
18	XXXVII	Tourism, Art and Culture	0.00	23,98,565	23,98,565
Sub Total			**33,93,60,89,000**	**39,94,83,00,778**	**6,01,22,11,778**
Loans Voted					
19	XVII	Agriculture	2,38,77,53,000	3,00,43,41,028	61,65,88,028
20	XXXVI	Industries and Commerce	2,57,78,90,000	2,68,10,16,000	10,31,26,000
Sub-Total			**4,96,56,43,000**	**5,68,53,57,028**	**71,97,14,028**
Revenue Charged					
21	IX	Fiscal Administration, Planning, Surveys and Statistics	1,47,03,36,07,000	1,68,41,66,91,504	21,38,30,84,504
Sub-Total			**1,47,03,36,07,000**	**1,68,41,66,91,503**	**21,38,30,84,503**
Loans Charged					
22	IX	Fiscal Administration, Planning, Surveys and Statistics	78,66,91,59,000	7,69,90,58,42,689	6,91,23,66,83,689
		Sub-Total	**78,66,91,59,000**	**7,69,90,58,42,689**	**6,91,23,66,83,689**
Grand Total			**4,83,68,43,31,000**	**12,98,82,97,80,679**	**8,15,14,54,49,679**

Appendix 3.2

Excess expenditure relating to Previous years requiring regularisation

(Refer paragraph 3.4.2.2; page 88)

(₹ in crore)

Year	Sl. No.	Grant No.	Grant/Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regular-isation
2014-15	1	I	State Legislature	Revenue Charged	1.42	Not yet regularised
	2	XI	Roads, Buildings and Ports	Loans Voted	1.95	
	3	XVIII	Housing	Loans Voted	5.30	
	4	XXV	Women, Child and Disabled Welfare	Capital Voted	1.38	
	5	XXVIII	Animal Husbandry and Fisheries	Capital Voted	3.88	
	6	XXXIII	Major and Medium Irrigation	Capital Voted	289.72	
			Sub Total		**303.65**	
2015-16	1	II	Governor and Council of Ministers	Revenue Voted	1.70	
	2	IV	General Administration and Elections	Revenue charged	9.37	
	3	V	Revenue , Registration and Relief	Revenue voted	96.13	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	4,934.94	
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	322.50	
	6	X	Home Administration	Revenue Voted	328.30	
	7	XVIII	Housing	Loans Voted	185.06	
	8	XX	Labour and Employment	Capital Voted	2.72	
	9	XXIX	Forest, Science and Technology and Environment	Capital Voted	0.07	
			Sub Total		**5,880.79**	
2016-17	1	V	Revenue, Registration and Relief	Revenue Voted	130.87	
	2	V	Revenue, Registration and Relief	Capital Voted	3.04	
	3	VI	Excise Administration	Revenue voted	20.83	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue voted	4,334.47	
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	2.16	
	6	X	Home Administration	Revenue voted	1,040.21	
	7	XI	Roads and Buildings and Ports	Revenue Voted	56.66	
	8	XII	School Education	Revenue Voted	259.37	
	9	XVI	Medical and Health	Loans Voted	8.03	
	10	XX	Labour and Employment	Revenue voted	18.14	
	11	XXVII	Agriculture	Capital Voted	183.59	
	12	XXIX	Forest, Science and Technology and Environment	Revenue Voted	135.86	
	13	XXXI	Panchayat Raj	Revenue voted	252.57	
	14	XXXIV	Minor Irrigation	Revenue voted	12.29	

Year	Sl. No.	Grant No.	Grant/Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regular-isation
	15	XXXV	Energy	Capital Voted	1,575.62	
	16	XXXVIII	Civil Supplies Administration	Capital Voted	0.58	
	17	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Charged	742.99	
	18	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	12,384.27	
	19	X	Home Administration	Revenue Charged	0.04	
			Sub Total		**21,161.59**	
2017-18	1	I	State Legislature	Revenue Voted	13.90	
	2	I	State Legislature	Capital Voted	0.03	
	3	VI	Excise Administration	Revenue Voted	37.43	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	2,592.63	
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Charged	342.74	Not yet regularised
	6	IX	Fiscal Administration, Planning, Surveys and Statistics	Capital Voted	341.07	
	7	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	122.06	
	8	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	22,787.11	
	9	X	Home Administration	Revenue Voted	958.49	
	10	XII	School Education	Revenue Voted	15.52	
	11	XXIX	Forest, Science and Technology and Environment	Revenue Voted	156.78	
	12	XXXI	Panchayat Raj	Revenue voted	803.51	
			Sub Total		**28,171.27**	
2018-19	1	V	Revenue, Registration and Relief	Capital Voted	3.06	
	2	VI	Excise Administration	Revenue Voted	27.35	
	3	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	21,076.44	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Charged	794.72	
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	3,990.45	
	6	X	Home Administration	Revenue Voted	773.25	
	7	XXI	Social Welfare	Loans Voted	1,500.00	
	8	XXII	Tribal Welfare	Loans Voted	900.00	
	9	XXIX	Forest, Science and Technology and Environment	Capital Voted	68.42	
			Sub Total		**29,133.69**	
2019-20	1	IV	General Administration and Elections	Revenue Voted	39.93	Not yet regularised
	2	V	Revenue, Registration and Relief	Revenue Voted	342.10	
	3	VI	Excise Administration	Revenue Voted	55.32	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	8,318.46	
	5	X	Home Administration	Revenue Voted	632.57	
	6	XI	Roads, Buildings and Ports	Revenue Voted	48.76	

Year	Sl. No.	Grant No.	Grant/Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regular -isation
	7	XII	School Education	Revenue Voted	1,283.27	
	8	XIV	Technical Education	Revenue Voted	4.10	
	9	XVIII	Housing	Revenue Voted	101.09	
2019-20	10	XXIV	Forest, Science, Technology and Environment	Revenue Voted	8.84	Not yet regularised
	11	V	Revenue, Registration and Relief	Capital Voted	0.00	
	12	VI	Excise Administration	Capital Voted	0.03	
	13	VIII	Transport Administration	Capital Voted	0.00	
	14	X	Home Administration	Capital Voted	5.87	
	15	XIV	Technical Education	Capital Voted	1.73	
	16	XX	Labour and Employment	Capital Voted	0.51	
	17	XXIII	Backward Classes Welfare	Capital Voted	1.73	
	18	XXVII	Agriculture	Capital Voted	17.37	
	19	XXVIII	Animal Husbandry and Fisheries	Capital Voted	1.68	
	20	XXIX	Forest, Science and Technology and Environment	Capital Voted	23.63	
	21	XXX	Co-operation	Capital Voted	0.00	
	22	XXXII	Rural Development	Capital Voted	24.36	
	23	XXXIX	Information Technology, Electronics and Communication	Capital Voted	35.03	
	24	XI	Roads, Buildings and Ports	Loans Voted	118.67	
	25	XVII	Municipal Administration and Urban Development	Loans Voted	65.51	
	26	XXVIII	Animal Husbandry and Fisheries	Loans Voted	84.41	
	27	XXXV	Energy	Loans Voted	109.37	
	28	XXXVI	Industries and Commerce	Loans Voted	48.47	
	29	V	Revenue, Registration and Relief	Revenue Charged	48.80	
	30	X	Home Administration	Revenue Charged	0.00	
	31	XXXI	Panchayat Raj	Revenue Charged	0.56	
	32	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Charged	35,474.26	
			Sub Total		**47,896.44**	
			Grand Total		**1,32,547.43**	

Appendix 3.3

Grants with savings of more than ₹1,000 crore

(Refer paragraph 3.4.3; page 89)

(₹ in crore)

Sl No.	Grant No.	Grant Name	Original	Supplementary	Total	Expenditure	Savings
Revenue Voted							
1	XVIII	Housing	7,584.17	0.08	7,584.25	515.70	7,068.55
2	XXI	Social Welfare	13,521.27	1,681.90	15,203.17	9,079.08	6,124.08
3	XXVII	Agriculture	18,221.39	154.41	18,375.80	13,691.84	4,683.96
4	XXII	Tribal Welfare	8,353.05	1,019.81	9,372.87	5,956.57	3,416.30
5	XXXII	Rural Development	9,816.62	1,042.16	10,858.79	7,465.11	3,393.67
6	XVII	Municipal Administration and Urban Development	3,834.25	2,158.24	5,992.50	4,043.60	1,948.90
7	XXIII	Backward Classes Welfare	4,356.82	72.46	4,429.28	2,980.34	1,448.94
8	V	Revenue, Registration and Relief	1,866.52	4,229.87	6,096.40	4,828.71	1,267.68
9	XVI	Medical and Health	4,949.38	1,541.80	6,491.18	5,333.12	1,158.06
10	XXXVI	Industries and Commerce	1,315.28	181.82	1,497.10	415.87	1,081.23
		Total	**73,818.75**	**12,082.55**	**85,901.34**	**54,309.94**	**31,591.37**
Capital Voted							
11	XVII	Municipal Administration and Urban Development	7,547.00	0.00	7,547.00	0.00	7,547.00
12	IX	Fiscal Administration, Planning, Surveys and	3,078.70	0.00	3,078.70	576.04	2,502.66
13	XXI	Social Welfare	2,259.91	24.92	2,284.83	112.41	2,172.41
14	XXII	Tribal Welfare	1,329.38	93.56	1,422.94	331.88	1,091.06
		Total	**14,214.99**	**1,148.48**	**14,333.47**	**1,020.33**	**13,313.13**
Loans Voted							
15	XXXIII	Major and Medium Irrigation	6,339.55	0.00	6,339.55	2,643.03	3,696.52
		Total	**6,339.55**	**0.00**	**6,339.55**	**2,643.03**	**3,696.52**
		Grand Total	**94,373.29**	**13,231.03**	**1,06,574.36**	**57,973.30**	**48,601.02**

Appendix 4.1

Year-wise pendency of AC bills

(Refer paragraph 4.7; page 118)

Year	Pay and Accounts Office (PAO)		Treasury		Total	
	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)
2003-04	0	----	16	0.13	16	0.13
2004-05	10	1.58	13	0.03	23	1.61
2005-06	13	2.24	4	0.04	17	2.28
2006-07	14	1.59	4	0.03	18	1.62
2007-08	13	0.07	1	0.01	14	0.08
2008-09	18	3.85	0	----	18	3.85
2009-10	21	5.46	9	2.11	30	7.56
2010-11	16	2.35	73	4.46	89	6.82
2011-12	5	0.75	18	3.88	23	4.63
2012-13	13	0.57	23	0.40	36	0.97
2013-14	60	26.62	140	12.18	200	38.80
2014-15	18	12.23	184	27.57	202	39.81
2015-16	3	0.36	138	16.77	141	17.13
2016-17	6	0.05	88	10.32	94	10.38
2017-18	0	----	142	6.30	142	6.30
2018-19	12	0.60	196	6.79	208	7.39
2019-20	23	12.31	223	34.15	246	46.45
2020-21	137	15.40	277	61.32	414	76.72
Total	**382**	**86.03**	**1,549**	**186.49**	**1,931**	**272.53**

Appendix 4.2

Department-wise pendency of AC bills

(Refer paragraph 4.7; page 118)

		Pay and Accounts Office (PAO)		Treasury		Total	
S.No.	Name of the Department	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)
1	Revenue Department	---	---	955	128.55	955	128.55
2	Panchayat Raj & Rural Development	---	---	201	29.29	201	29.29
3	Office of the Inspector General of Police, Intelligence Department	3	9.60	---	---	3	9.60
4	High Court	15		---	---	15	9.52
5	School Education	---		79	6.57	79	6.57
6	Social Welfare	---		16	6.34	16	6.34
7	Planning Department	1		18	4.51	19	4.51
8	Agriculture & Co-Operation	---		24	3.95	24	3.95
9	Collectorate, Hyderabad District	2		---	---	2	3.71
10	Home Department	12		36	2.99	48	3.01
11	Greater Hyderabad Municipal Corporation (G.H.M.C) - Municipal Administration	5		---	---	5	1.86
12	Health, Medical & Family Welfare	---		57	1.70	57	1.70
13	Police Transport Organisation	1		---	---	1	1.25
14	Assistant Secretary, Law Department, Hyderabad	3		---	---	3	1.13
15	Women, Child, Disabled &Senior Citizens Welfare	---		36	0.84	36	0.84
16	Tribal Welfare	---		19	0.80	19	0.80
17	Information And Public Relations	3		---	---	3	0.55
18	Animal Husbandry, Dairy Development. & Fisheries	---		8	0.49	8	0.49
19	Police	85		---	---	85	0.24
20	Telangana State Level Police Recruitment Board	2		---	---	2	0.24
21	National Cadet Corps	18		---	---	18	0.24

22	General Administration (SU) Department	17		---	---	17	0.23
23	General Administration Department (GAD)	---		2	0.19	2	0.19
24	Protocol Department	6		---	---	6	0.12
25	Higher Education	---		35	0.08	35	0.08
26	Youth advancement, tourism & culture department	---		11	0.08	11	0.08
27	Backward Class Development	---		11	0.04	11	0.04
28	Law Department	---	---	8	0.03	8	0.03
29	Railway Police	3	0.02	---	---	3	0.02
30	Law Officers	---	---	9	0.01	9	0.01
31	Transport, ,Roads & Buildings	---	---	4	0.01	4	0.01
32	Consumer Affairs, Civil Supplies & Food	---	---	5	0.01	5	0.01
33	Labour Employment, Training & Factories	---	---	7	0.01	7	0.01
34	Minorities Welfare Department	---	---	4	0.01	4	0.01
35	Industries & Commerce Department	---	---	2	0.00	2	0.00
36	Legislature, Secretariat	2	0.00	---	---	2	0.00
37	Finance Department	---	---	2	0.00	2	0.00
38	Commissioner of Commercial Tax	1	0.00	---	---	1	0.00
39	Insttitute of Preventive Medicine	1	0.00	---	---	1	0.00
40	Animal Husbandry, Dairy Development. & Fisheries, Telangana Secretariat	2	0.00	---	---	2	0.00

Appendix 4.3

Cases where entire Receipts were booked under omnibus Minor Head - 800 in 2020-21

(Refer paragraph 4.9; page 123)

Sl. No.	Major Head	Major Head Description	Total Revenue Receipts (₹ in crore)	Revenue Receipts under Min Head 800 (₹ in crore)	*Per cent*
1	0056	Jails	0.09	0.09	100.00
2	0211	Family Welfare	0.12	0.12	100.00
3	0217	Urban Development	6.74	6.74	100.00
4	0235	Social Security and Welfare	2.89	2.89	100.00
5	0435	Other Agricultural Programmes	0.09	0.09	100.00
6	0506	Land Reforms	2.02	2.02	100.00
7	0801	Power	6.56	6.56	100.00
8	1053	Civil Aviation	4.45	4.45	100.00
9	1452	Tourism	0.82	0.82	100.00
10	1456	Civil Supplies	6.74	6.74	100.00
	TOTAL		**30.52**	**30.52**	

Appendix 4.4

Cases where almost entire expenditure booked under omnibus Minor Head - 800 in 2020-21

(Refer paragraph 4.9; page 123)

Sl. No.	Major Head	Major Head Description	Total Expenditure (₹ in crore)	Expenditure in Minor Head (₹ in crore)	*Per cent*
1	5054	Capital Outlay on Roads and Bridges	1,150.97	1,323.78	115.01*
2	2810	New and Renewable Energy	25.45	25.45	100.00
3	2875	Other Industries	0.93	0.93	100.00
4	4401	Capital Outlay on Crop Husbandry	0.46	0.46	100.00
5	4405	Capital Outlay on Fisheries	4.12	4.12	100.00
	TOTAL		**1,181.93**	**1,354.74**	

**Percentage figure is more than 100 as total expenditure under the Major Head is reduced mainly due to recoveries in other Minor Heads (Expenditure under Minor Head 800 Other Expenditure: ₹ 1,323.78 crore; Minor Head 902: ₹(-)265.11 crore; Minor Head 337 Road works: ₹3.31crore; Minor Head 796: ₹8.26crore; Minor Head 786: ₹8.86crore; Minor Head 001: ₹71.87crore)*

Appendix 4.5

Cases where more than 50 *per cent* of Receipts were booked under omnibus Minor Head - 800 for the year 2020-21

(Refer paragraph 4.9; page 124)

Sl. No.	Major Head	Major Head Description	Receipts under Major Head (₹ in crore)	Receipts under Minor Head-800 (₹ in crore)	*Percentage*
1	0702	Minor Irrigation	5.01	5.00	99.77
2	0515	Other Rural Development Programmes	3.49	3.48	99.64
3	0701	Medium Irrigation	2.13	2.10	98.63
4	0700	Major Irrigation	16.20	15.86	97.94
5	0425	Co-operation	5.47	5.33	97.47
6	0075	Miscellaneous General Services	1,253.65	1,200.51	95.76
7	1054	Roads and Bridges	24.36	23.27	95.53
8	0401	Crop Husbandry	17.16	15.90	92.67
9	0220	Information and Publicity	0.03	0.02	86.51
10	0049	Interest Receipts	33.52	25.64	76.49
11	0058	Stationery and Printing	0.42	0.32	74.49
12	0406	Forestry and Wild Life	27.37	20.11	73.46
13	0059	Public Works	4.16	2.54	61.12
14	0029	Land Revenue	0.50	0.26	51.76
		Total	**1,393.46**	**1,320.34**	

Appendix 4.6

Cases where more than 50 *per cent* of Expenditure was booked under omnibus Minor Head - 800 for the year 2020-21

(Refer paragraph 4.9; page 124)

Sl No.	Major Head	Major Head Description	Expenditure under Major Head (₹ in crore)	Expenditure under Minor Head-800 (₹ in crore)	*Percentage*
1	4070	Capital Outlay on Other Administrative Services	63.37	63.04	99.49
2	2851	Village and Small Industries	313.41	275.98	88.06
3	5475	Capital Outlay on Other General Economic Services	741.55	576.04	77.68
4	2801	Power	9,958.21	7,505.21	75.37
5	2401	Crop Husbandry	16,760.87	12,606.67	75.21
6	4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	253.63	161.97	63.86
7	2501	Special Programmes for Rural Development	489.10	311.13	63.61
8	2245	Relief on account of Natural Calamities	3,651.11	2,314.77	63.40
		Total	**32,231.25**	**23,814.81**	

Appendix 4.7

List of Major Heads in which receipts of ₹100 crore and above are not reconciled

(Refer paragraph 4.11; page 127)

Sl. No.	MH	Major Head Description	Unreconciled figure (₹ in crore)
1	0853	Non-ferrous Mining and Metallurgical Industries	3,457.39
2	0202	Education, Sports, Art and Culture	613.78
3	0028	Other Taxes on Income and Expenditure	510.99
4	0210	Medical and Public Health	246.46
		TOTAL	**4,828.62**

Appendix 4.8

List of CCOs who have not reconciled expenditure of ₹100 crore and above

(Refer paragraph 4.11; page 127)

Sl. No.	CCO	CCO Designation	Unreconciled figure (₹ in crore)
1	05010	Commissioner for Relief – Head of Department (HoD)	3,672.15
2	17001	The Secretary, Municipal Administration & Urban Development (M A & U D) Department, Telangana Secretariat.	2,098.57
3	21002	The Commissioner, Social Welfare, D.S. Samkshema Bhavan.	1,119.21
4	22001	The Accounts Officer, O\o The Commissioner of Tribal Welfare, D.S. Samkshema Bhavan,	951.56
5	16001	The Deputy Secretary to Government,, Health, Medical and Welfare Department,	946.58
6	05002	Chief Commissioner, Land Administration	918.10
7	11001	Secretary, Transport, Roads and Buildings Department, Telangana State Secretariat	779.77
8	31003	Engineer-in-Chief, (Genl.&Pr) Erram Manzil colony Hyderabad, Erram Manjil.	668.35
9	16003	The Director of Health,,Government of Telangana.	582.29
10	11016	The Engineer-In-Chief, CRF, Office of The Engineer-In-Chief (R&B),,IV Floor, Erram Manzil.	576.85
11	21003	Secretary, Social Welfare Residential Educational Institutions Society.	548.19
12	16004	The Director, Family Welfare,, Government of Telangana.	536.05
13	13001	Secretary, Higher Education, Secretariat Department. – Head of Department (HoD)	534.87
14	34008	The Chief Engineer, Minor Irrigation, II Floor, Jalasoudha Building.	509.04
15	03002	The Registrar, Telangana High Court.	485.19
16	25002	The Commissioner, Women and Child Welfare.	456.47
17	13007	Director, Intermediate Education.	442.37
18	11014	The Chief Engineer, Rural Roads, Office of the Engineer-in-Chief(R&B).	409.92

Sl. No.	CCO	CCO Designation	Unreconciled figure (₹ in crore)
19	13004	Director of Collegiate Education.	403.28
20	10015	The Commissioner, Cyberabad Police.	398.01
21	18002	The Director, Weaker Section Housing.	363.23
22	36002	Commissioner of Industries.	356.19
23	33013	The Administrator-Cum-Chief Engineer, SRSP, Stage I, Sriramsagar Project, Stage-I.	320.76
24	33029	Chief Engineer (Projects), Mahaboobnagar, Vth Floor, Jalasoudha Building.	306.00
25	14002	Director, Technical Education.	273.64
26	22004	Secretary, Tribal Welfare Residential Educational Institutions Society.	219.81
27	07003	Commissioner, Commercial Taxes	214.25
28	27001	Secretary, Agriculture & Co-operation.	193.27
29	17004	Engineer-In-Chief, Public Health, Kasana Building,	174.34
30	31006	Chief Engineer, Rural Water Supply, Erra Manjil	172.87
31	10009	The IG of Police, Intelligence Branch.	166.45
32	33031	Chief Engineer, FMC (SRSP) & SYP, Karimnagar.	147.01
33	39001	Secretary, IT, Electronics and Communications Department.	143.98
34	33046	Chief Engineer, Projects, Adilabad.	143.85
35	19001	The Commissioner, Information and Public Relations.	139.29
36	33016	The Chief Engineer, Godavari Lift Irrigation Scheme.	135.37
37	12001	Secretary, Telangana Residential Educational Institution Society, TREIS.	128.12
38	33045	Chief Engineer (Projects), Khammam.	123.13
39	16002	The Director, Medical Education.	119.37
40	10003	The DG & IG of Prisons.	115.72
41	33042	Commissioner, Planning And Development Of Godavari Basin.	101.98
		TOTAL	**21,095.45**

Appendix 4.9

List of Autonomous Bodies whose accounts are in arrears

(Refer paragraph 4.14; page 130)

Sl. No.	Name of the Office	Accounts to be received	Number of pending years
1	Integrated Tribal Development Agency, Bhadrachalam	2010-11 to 2020-21	11
2	Integrated Tribal Development Agency, Eturunagaram	2007-08 to 2020-21	14
3	Integrated Tribal Development Agency, Utnoor	2009-10 to 2020-21	12
4	Integrated Tribal Development Agency, Plain Areas, TS, Hyderabad	2014-15 to 2020-21	7
5	Telangana Building and Other construction Workers' Welfare Board	2019-20 and 2020-21	2
6	Metropolitan Legal Services Authority	2010-11 to 2020-21	11
7	Telangana State Legal Services Authority, Hyderabad	2018-19 to 2020-21	3
8	District Legal Services Authority, Adilabad	2017-18 to 2020-21	4
9	District Legal Services Authority, Karimnagar	2017-18 to 2020-21	4
10	District Legal Services Authority, Nizamabad	2015-16 to 2020-21	6
11	District Legal Services Authority, Mahabubnagar	2018-19 to 2020-21	3
12	City Civil Court Legal Services Authority, Hyderabad	2015-16 to 2020=21	6
13	District Legal Services Authority, Warangal	2017-18 to 2020-21	4
14	District Legal Services Authority, Medak	2017-18 to 2020-21	4
15	District Legal Services Authority, Ranga Reddy	2019-20 and 2020-21	2
16	Environment Protection Training and Research Institution	2019-20 and 2020-21	2
17	Telangana State Compensatory Afforestation Fund Management and Planning Authority	2018-19 to 2020-21	3
18	Hyderabad Metropolitan Development Authority	2020-21	1
19	Yadagirigutta Temple Development Authority	2019-20 and 2020-21	2
20	Vemulavada Temple Area Development Authority	2018-19 to 2020-21	3
21	Kakatiya Urban Development Authority	2013-14 to 2020-21	8
22	Hyderabad Metropolitan Water Supply and Sewerage Board	2010-11 to 2020-21	11
23	Stambhadri Urban Development Authority	2017-18 to 2020-21	4
24	Nizamabad Urban Development Authoirty	2017-18 to 2020-21	4
25	Siddipet Urban Development Authoirty	2017-18 to 2020-21	4
26	Satavahana Urban Development Authoirty	2017-18 to 2020-21	4
27	Telangana Vaidya Vidhana Parishad	2014-15 to 2020-21	7
28	Telangana State Khadi and Village Industries Board	2018-19 to 2020-21	3

Appendix 4.10

List of Companies in which investments as per Statement 19 of Finance Accounts is at difference in comparison to Annual Financial Statements of Companies

(Refer paragraph 4.15; page 131)

Sl. No.	Company	Investment of State Government as per Annual Financial Statements of Companies/ Corporations (₹ in crore)	Investment made by State Government as per Finance Accounts (₹ in crore)	Difference (₹ in crore)
1	The Singareni Collieries Company Limited	885.60	885.08	0.52
2	Telangana State Power Generation Corporation Limited	869.64	2,976.39	1,228.64
3	Southern Power Distribution Company of Telangana Limited	12,017.93	17,618.89	268.24
4	Northern Power Distribution Company of Telangana Limited	5,869.20		
5	Telangana Power Finance Corporation Limited	2.00	28.16	26.16
	Total	**19,644.37**	**21,058.52**	**1,864.15**

Appendix 4.11

Year-wise status of receipt of Explanatory Notes

(Refer paragraph 4.17; page 132)

Sl No	Name of the Department	2014-15		2015-16		2016-17		2017-18		2018-19		TOTAL	
		ENs to be received	ENs received	ENs to be received	ENs received	ENs to be received	ENs received	ENs to be received	ENs received	ENs to be received	ENs received	ENs to be received	ENs received
1	Finance	19	NIL	17	NIL	22	21	12	NIL	30	NIL	**100**	**21**
2	Agriculture and Cooperation	-	-	-	-	-	-	1	NIL	-	-	**1**	**NIL**
3	Consumer, Affairs, Food and Civil Supplies	-	-	-	-	1	1	-	-	-	-	**1**	**1**
4	Health, Medical and Family Welfare	-	-	-	-	1	NIL	-	-	-	-	**1**	**NIL**
5	Housing	1	1	-	-	-	-	-	-	-	-	**1**	**1**
6	Irrigation and Command Area Development	-	-	1	1	-	-	-	-	-	-	**1**	**1**
7	Municipal Administration and Urban Development	1	1	-	-	-	-	1	1	2	2	**4**	**4**
8	Panchayat Raj and Rural Development	2	NIL	1	NIL	1	NIL	-	-	1	NIL	**5**	**NIL**
9	Scheduled Castes Development Department	1	1	-	-	-	-	1	1	-	-	**2**	**2**
10	Women, Children, Disabled and Senior Citizens Welfare	-	-	1	NIL	-	-	-	-	-	-	**1**	**NIL**
11	Planning	-	-	-	-	-	-	-	-	1	NIL	**1**	**NIL**
12	Revenue	-	-	-	-	-	-	-	-	1	NIL	**1**	**NIL**
Total		**24**	**3**	**20**	**1**	**25**	**22**	**15**	**2**	**35**	**2**	**119**	**30**

Appendix 5.1

Statement showing list of Public Sector Undertakings (PSUs) of Telangana under audit jurisdiction of CAG and status of their annual accounts

(Refer paragraph 5.3; page 135)

Sl. No.	Name of the PSU	Accounts Finalized Up to	Year(s) Pending Finalisation	No. of years pending
Power Sector PSUs				
1	The Singareni Collieries Company Limited	2020-21	Nil	Nil
2	Telangana State Power Generation Corporation Limited	2020-21	Nil	Nil
3	Transmission Corporation of Telangana Limited	2019-20	2020-21	1
4	Southern Power Distribution Company of Telangana Limited	2020-21	Nil	Nil
5	Northern Power Distribution Company of Telangana Limited	2020-21	Nil	Nil
6	Telangana Power Finance Corporation Limited	2020-21	Nil	Nil
7	Telangana State Renewable Energy Development Corporation Limited	2017-18	2018-21	3
8#	Andhra Pradesh Tribal Power Corporation Limited	2016-17	2017-21	4
Non-Power Sector PSUs				
9	Hyderabad Growth Corridor Limited	2017-18	2018-21	3
10	Hyderabad Metro Rail Limited	2015-16	2016-21	5
11	Hyderabad Road Development Corporation Limited	2019-20	2020-21	1
12	Musi Riverfront Development Corporation Limited	2019-20	2020-21	1
13	Telagana Fiber Grid Corporation Limited	2018-19	2019-21	2
14	Telangana Industrial Health Clinic Limited	2020-21	Nil	Nil
15	Telangana Overseas Manpower Company Limited	2019-20	2020-21	1
16	Telangana State Forest Development Corporation Limited	2017-18	2018-21	3
17	Telangana State Housing Corporation Limited.	FN (10-09-2015)	2015-21	6
18	Telangana State Minorities Finance Corporation	2018-19	2019-21	2
19	Telangana State Seeds Development Corporation Limited	2018-19	2019-21	2
20	T-works Foundation	2019-20	2020-21	1
21	Telangana State Water Resources Infrastructure Development Corporation Limited	2018-19	2019-21	2
22	Telangana Life Sciences Infrastructure Development Limited	FN (11-05-2018)	2018-21	3
23	Wehub Foundation	FN (30-08-2018)	2018-21	3
24	Telangana Rashtra Rythu Samanvaya Samithi	2019-20	2020-21	1
25	Damodhara Minerals Private Limited	2020-21	Nil	Nil
26	Telangana Rajiv Swagruha Corporation Limited	FN(01-03-2018)	2018-21	3
27	The Nizam Sugars Limited	2019-20	2020-21	1
28	Telangana State Road Transport Corporation	FN (DoI: 27 Apr 2016)	2016-21	5
29	Telangana State Technology Services Limited	2019-20	2020-21	1
30	Hyderabad Airport Metro Limited	FN (DoI: 04 Nov 2015)	2018-21	3
31	Bio Tech Hub Limited	FN (DoI: 02 Jul 2020)	2020-21	1
32	Kaleshwaram Irrigation Project Corporation Limited	2019-20	2020-21	1
33	Maheshwaram Science Park Limited	2017-18	2018-21	3
34	Telangana Drinking Water Supply Corporation Limited.	2017-18	2018-21	3

Sl. No.	Name of the PSU	Accounts Finalized Up to	Year(s) Pending Finalisation	No. of years pending
35	Telangana State Agro Industries Development Corporation Limited	2017-18	2018-21	3
36	Telangana State Christian Minorities Finance Corporation	FN (DoI: 13 Mar 2015)	2015-21	6
37	Telangana State Civil Supplies Corporation Limited	2015-16	2016-21	5
38	Telangana State Film Development Corporation Limited	2019-20	2020-21	1
39	Telangana State Handicrafts Development Corporation Limited	2015-16	2016-21	5
40	Telangana State Horticulture Development Corporation Limited	2019-20	2020-21	1
41	Telangana State Irrigation Development Corporation Limited	2019-20	2020-21	1
42	Telangana State Leather Industries Promotion Corporation Limited	2015-16	2016-21	5
43	Telangana State Most Backward Classes Development Corporation	2018-19	2019-21	2
44	Telangana State Trade Promotion Corporation Limited	2016-17	2017-18	4
45	Telangana Water Resources Development Corporation Limited	2019-20	2020-21	1
46	Telangana Urban Finance and Infrastructure Development Corporation Limited	2017-18	2018-21	3
47	Zaheerabad NIMZ Limited	2017-18	2018-21	3
48	Photonics Valley Corporation	2018-19	2019-21	2
49	Telangana Powerloom & Textile Development Corporation Limited	FN (DoI: 19 Jun 2018)	2018-21	3
50	Telangana Handloom Development Corporation Limited	FN (DoI: 19 Jun 2018)	2018-21	3
51#	Infrastructure Corporation of Andhra Pradesh Limited	2018-19	2019-21	2
52	e-City Manufacturing Cluster Limited	2016-17	2017-21	4
53	Fab City SPV (India) Private Limited	2017-18	2018-21	3
54	Hyderabad Pharma City Limited	2017-18	2018-21	3
55	Pashamylaram Textiles Park	2014-15	2015-21	6
56	Telangana State Industrial Development Corporation Limited	FN (DoI: 18 Nov 2014)	2014-21	7
57	Telangana State Industrial Infrastructure Corporation Limited	2016-17	2017-21	4
58	Telangana State Mineral Development Corporation Limited	2019-20	2020-21	1
59	Telangana State Tourism Development Corporation Limited	2015-16	2016-21	5
60	Telangana State Financial Corporation	FN (DoI: 31 Aug 2015)	2015-21	6
61	Telangana State Warehousing Corporation	FN (DoI: 26 Sep 2015)	2015-21	6
62	Telangana State Aviation Corporation Limited	FN (DoI: 15 May 2015)	2015-21	6
63	Telangana State Beverages Corporation Limited	2017-18	2018-21	3
64	Telangana State Police Housing Corporation Limited	2018-19	2019-21	2
65	Karimnagar Smart City Corporation Limited	FN (DoI: 09 Sep 2015)	2016-21	5
66	Greater Warangal Smart City Corporation Limited	FN (DoI: 18 Aug 2016)	2016-21	5
Inactive PSUs				
#67	A.P Small Scale Industrial Development Corporation Limited	2001-02	2002-21	19
#68	Andhra Pradesh Essential Commodities Corporation Limited	2013-14 (14M)	2014-21	7
#69	Allwyn Auto Limited	1994-95	1995-2021	26
#70	Allwyn Watches Limited	1998-99	1999-2021	22
#71	Andhra Pradesh Automobile Tyres & Tubes Limited	1992-93	1993-2021	28
#72	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2003-21	18
#73	Andhra Pradesh Steels Limited	1991-92	1992-2021	29
#74	Aptronix Communications Limited	NA	NA	NA
#75	Golkonda Abrasives Limited	1997-98	1998-2021	23

Sl. No.	Name of the PSU	Accounts Finalized Up to	Year(s) Pending Finalisation	No. of years pending
#76	Hyderabad Chemicals and Fertilizers Limited	1984-85	1985-2021	36
#77	Krishi Engineering Limited	1984-85	1985-2021	35
#78	Marine and Communication Electronics (India) Limited	1992-93	1993-2021	28
#79	PJ Chemicals Limited	1989-90	1990-2021	31
#80	Republic Forge Company Limited	1991-92	1992-2021	29
#81	Vidyut Steels Limited	1985-86	1986-2021	34
82	TSMDC-SCCL Suliyari Coal Company Limited	FN (01-07-2013)	2013-21	8

Companies are under demerger

FN: First Accounts Not Received
DoI: Date of Incorporation of PSU

Appendix 5.2

Statement showing the Budgetary support provided to PSUs during the years 2018-19 to 2020-21

(Reference to paragraph 5.5.1 and 5.5.3, page 137 and page 139)

Sl. No.	Name of the PSU	Year upto which accounts finalised	Year of Outgo	Equity Capital outgo (i)	Loans given (ii)	Grants/ Subsidy provided (iii)	Total Outgo (i+ii+iii)
1	Southern Power Distribution Company of Telangana Limited	2020-21	2018-19	1,679.99	0.00	1,542.46	3,222.45
2	Northern Power Distribution Company of Telangana Limited	2020-21	2018-19	720.00	0.00	3,500.68	4,220.68
3	Telangana State Renewable Energy Development Corporation Ltd	2017-18	2018-19	0.00	0.00	9.08	9.08
4	Hyderabad Growth Corridor Limited	2017-18	2018-19	0.00	0.00	121.25	121.25
5	Hyderabad Metro Rail Limited	2015-16	2018-19	0.00	50.00	0.00	50.00
6	Hyderabad Road Development Corporation Limited	2019-20	2018-19	0.00	0.00	237.50	237.50
7	Telangana Fiber Grid Corporation Limited	2018-19	2018-19	0.00	0.00	6.39	6.39
8	Telangana Industrial Health Clinic Limited	2020-21	2018-19	4.53	1.62	0.00	6.15
9	Telangana Overseas Manpower Company Limited	2019-20	2018-19	0.00	0.08	0.00	0.08
10	Telangana State Housing Corporation Limited	FN	2018-19	0.00	2,225.00	950.00	3,175.00
11	Telangana State Minorities Finance Corporation Limited	2018-19	2018-19	0.00	0.00	53.51	53.51
12	Telangana State Seeds Development Corporation Limited	2018-19	2018-19	0.00	0.00	38.25	38.25
13	T-works Foundation	2019-20	2018-19	0.00	0.00	1.61	1.61
14	Hyderabad Airport Metro Limited	FN	2018-19	0.38	0.00	0.00	0.38
15	Telangana State Water Resources Infrastructure Development Corporation Limited	2018-19	2018-19	0.50	0.50	427.81	428.81
16	Telangana Rashtra Rythu Samanvaya Samithi	2019-20	2018-19	0.00	0.01	2.45	2.46

17	Telangana Rajiv Swagruha Corporation Limited	FN	2018-19	0.05	0.00	0.00	0.05
18	Telangana State Road Transport Corporation	FN	2018-19	0.00	364.33	161.68	526.01
Total Outgo for the year 2018-19							**12,099.66**
1	Southern Power Distribution Company of Telangana Limited	2020-21	2019-20	1,400.00	0.00	1,172.00	2,572.00
2	Northern Power Distribution Company of Telangana Limited	2020-21	2019-20	600.00	0.00	3,569.39	4,169.39
3	Telangana State Renewable Energy Development Corporation Ltd	2017-18	2019-20	0.00	0.00	8.78	8.78
4	Hyderabad Metro Rail Limited	2015-16	2019-20	0.00	95.00	0.00	95.00
5	Hyderabad Road Development Corporation Limited	2019-20	2019-20	0.00	0.00	50.00	50.00
6	Telangana Fiber Grid Corporation Limited	2018-19	2019-20	0.00	0.00	2.76	2.76
7	Telangana Industrial Health Clinic Limited	2020-21	2019-20	2.50	0.00	0.00	2.50
8	Telangana Overseas Manpower Company Limited	2019-20	2019-20	0.00	0.19	0.00	0.19
9	Telangana State Housing Corporation Limited.	FN	2019-20	0.00	1,519.76	653.48	2,173.24
10	Telangana State Minorities Finance Corporation Limited	2018-19	2019-20	0.00	0.00	5.37	5.37
11	Telangana State Seeds Development Corporation Limited	2018-19	2019-20	0.00	0.00	40.74	40.74
12	T-works Foundation	2019-20	2019-20	0.00	0.00	1.32	1.32
13	Wehub Foundation	FN	2019-20	0.00	0.00	2.81	2.81
14	Telangana Rashtra Rythu Samanvaya Samithi	2019-20	2019-20	0.00	0.00	0.05	0.05
15	Telangana State Road Transport Corporation	FN	2019-20	0.00	155.00	460.80	615.80
Total Outgo for the year 2019-20							**9,739.95**
1	Southern Power Distribution Company of Telangana Limited	2020-21	2020-21	0.00	0.00	1,397.50	1,397.50
2	Northern Power Distribution Company of Telangana Limited	2020-21	2020-21	0.00	0.00	4,254.15	4,254.15

3	Telangana Power Finance Corporation Limited	2020-21	2020-21	1.95	0.00	0.00	1.95
4	Telangana State Renewable Energy Development Corporation Limited	2017-18	2020-21	0.00	0.00	9.74	9.74
5	Hyderabad Metro Rail Limited	2015-16	2020-21	0.00	20.00	0.00	20.00
6	Hyderabad Road Development Corporation Limited	2019-20	2020-21	0.00	0.00	50.00	50.00
7	Telangana Fiber Grid Corporation Limited	2018-19	2020-21	0.00	0.00	0.60	0.60
8	Telangana Industrial Health Clinic Limited	2020-21	2020-21	0.00	0.00	10.00	10.00
9	Telangana State Housing Corporation Limited	FN	2020-21	0.00	2,461.06	162.10	2,623.16
10	Telangana State Minorities Finance Corporation Limited	2018-19	2020-21	0.00	0.00	24.68	24.68
11	Telangana State Seeds Development Corporation Limited	2018-19	2020-21	0.00	0.00	57.05	57.05
12	T-works Foundation	2019-20	2020-21	0.00	0.00	0.16	0.16
13	Telangana State Water Resources Infrastructure Development Corporation Limited	2018-19	2020-21	0.00	0.00	1,221.41	1,221.41
14	Wehub Foundation	FN	2020-21	0.00	0.00	3.00	3.00
15	Bio Tech Hub Limited	FN	2020-21	0.01	0.00	0.00	0.01
16	Telangana State Road Transport Corporation	FN	2020-21	0.00	270.29	603.69	873.98
Total outgo for the year 2020-21							**10,547.39**

FN: First Accounts Not Received

Appendix 5.3

Statement showing list of PSUs having Negative Net Worth as on 31 March 2021

(Reference to paragraph 5.7.2, page 142)

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Net Worth	Paid-Up Capital
	Power Sector PSUs		
1	Southern Power Distribution Company of Telangana Limited	(-)21,537.41	12,017.93
2	Northern Power Distribution Company of Telangana Limited	(-)9,557.68	5,869.20
	Non Power Sector PSUs		
3	Hyderabad Growth Corridor Limited	(-)3.85	0.15
4	Hyderabad Metro Rail Limited	(-)2,374.84	0.56
5	Telangana State Housing Corporation Limited.	(-)7,101.80	0.25
6	T-works Foundation	(-)1.49	0.00
7	Telangana Life Sciences Infrastructure Development Limited	(-)0.01	0.01
8	Wehub Foundation	(-)6.65	0.00
9	Telangana Rashtra Rythu Samanvaya Samithi	(-)1.22	0.00
10	Damodhara Minerals Private Limited	(-)0.08	0.04
11	Telangana Rajiv Swagruha Corporation Limited	(-)541.34	0.05
12	The Nizam Sugars Limited	(-)218.94	34.00
13	Telangana State Road Transport Corporation	(-)7,797.02	530.97
14	Hyderabad Airport Metro Limited	(-)0.43	0.38
15	Bio Tech Hub Limited	0.00	0.01
	For 15 PSUs (Net worth completely eroded)	**(-)49,142.76**	**18,453.55**

Appendix 5.4

Statement showing Return on Equity of PSUs as on 31 March 2021

(Reference to paragraph 5.9.1.1, pages 144 and 145)

(Figures in Columns 3, 4, 6, 7, 9 and 10 are in ₹ crore)

Sl. No.	Sector & Name of the PSU	Year								
		2018-19			2019-20			2020-21		
		PAT	Shareholders Fund	ROE (in %)	PAT	Shareholders Fund	ROE (in %)	PAT	Shareholders Fund	ROE (in %)
1	2	3	4	5	6	7	8	9	10	11
Power Sector PSUs										
1	The Singareni Collieries Company Limited	1,822.91	7,557.87	24.12	993.86	8,342.78	11.91	272.64	6,756.14	4.04
2	Telangana State Power Generation Corporation Limited	106.10	1,511.57	7.02	121.69	1,633.26	7.45	168.80	1,802.06	9.37
3	Transmission Corporation of Telangana Limited	258.67	935.07	27.66	259.13	1,447.18	17.91	206.77	1,394.28	14.83
4	Southern Power Distribution Company of Telangana Limited	(-)4,967.27	(-)13,744.37	-	(-)4,940.25	(-)17,291.45	-	(-)4,622.60	(-)21,537.41	21.46
5	Northern Power Distribution Company of Telangana Limited	(-)3,051.43	(-)6,599.97	-	(-)1,116.30	(-)7,114.41	-	(-)2,440.36	(-)9,557.68	25.53
6	Telangana Power Finance Corporation Limited	0.00	0.05	0.00	0.00	0.05	0.00	0.00	2.00	0.00
7	Telangana State Renewable Energy Development Corporation Limited	(-)0.05	(-)2.04	-	0.48	(-)1.26	-	1.11	3.96	28.03
Total (A)		**(-)5,831.07**	**(-)10,341.82**	**-**	**(-)4,681.39**	**(-)12,983.85**	**-**	**(-)6,413.64**	**(-)21,136.65**	
Non-Power Sector PSUs										
8	Hyderabad Growth Corridor Limited	(-)0.11	(-)3.90	-	0.03	(-)14.30	-	0.02	(-)3.85	(-)0.52
9	Hyderabad Metro Rail Limited	(-)169.54	(-)2,085.17	-	(-)193.18	(-)2,278.35	-	(-)96.46	(-)2,374.84	4.06
10	Hyderabad Road Development Corporation Limited	(-)2.24	(-)1.24	-	1.61	0.37	435.14	1.53	2.53	60.47
11	Telangana Fiber Grid Corporation Limited	(-)1.51	(-)1.70	-	(-)3.63	(-)5.33	-	8.97	8.98	99.89
12	Telangana Industrial Health Clinic Limited	(-)1.24	5.55	-	(-)1.55	6.50	(-)23.85	(-)0.71	5.80	(-)12.24

Sl. No.	Sector & Name of the PSU	Year								
		2018-19			2019-20			2020-21		
		PAT	Shareholders Fund	ROE (in %)	PAT	Shareholders Fund	ROE (in %)	PAT	Shareholders Fund	ROE (in %)
1	2	3	4	5	6	7	8	9	10	11
13	Telangana Overseas Manpower Company Limited	(-)0.34	(-)0.79	-	(-)0.12	1.11	-	(-)0.05	1.06	(-)4.72
14	Telangana State Forest Development Corporation Limited	47.36	222.80	21.26	51.34	258.74	19.84	51.83	295.02	17.57
15	Telangana State Housing Corporation Limited	(-)319.50	(-)3,557.43	-	(-)529.67	(-)3,820.70	-	(-)733.15	(-)7,101.80	10.32
16	Telangana State Minorities Finance Corporation	1.08	44.91	2.40	49.18	4.89	-	5.36	54.54	(-)142.93
17	Telangana State Seeds Development Corporation Limited	0.68	2.91	23.37	1.21	4.12	29.37	0.99	5.23	18.93
18	T-works Foundation	0.28	0.27	103.70	(-)0.22	0.05	(-)440.00	(-)1.54	(-)1.49	103.36
19	Telangana State Water Resources Infrastructure Development Corporation Limited	(-)0.08	0.42	(-)19.05	(-)0.09	0.83	(-)10.84	(-)0.62	0.20	(-)310.00
20	Wehub Foundation	(-)0.19	(-)0.19	100.00	1.33	0.95	140.00	(-)3.37	(-)6.65	50.68
21	Telangana Rashtra Rythu Samanvaya Samithi	(-)1.92	(-)1.92	100.00	(-)0.21	(-)2.13	9.86	(-)1.22	(-)1.22	100.00
22	Damodhara Minerals Private Limited	(-)0.01	(-)0.07	14.29	(-)0.01	(-)0.07	14.29	(-)0.01	(-)0.08	12.50
23	Telangana Rajiv Swagruha Corporation Limited	(-)38.79	(-)441.08	-	(-)42.36	(-)507.05	-	(-)66.27	(-)541.34	12.24
24	The Nizam Sugars Limited	(-)0.04	(-)213.23	-	(-)6.09	(-)219.32	-	0.38	(-)218.94	(-)0.17
25	Telangana State Road Transport Corporation	(-)928.66	(-)4,439.99	-	(-)1,002.02	(-)5,442.01	-	(-)2,329.23	(-)7,797.02	29.87
26	Telangana State Technology Services Limited	12.43	35.53	34.98	23.06	58.59	39.36	10.23	68.82	14.86
27	Musi Riverfront Development Corporation Limited		1.00		0.00	1.00		0.00	1.00	0.00
28	Telangana Life Sciences Infrastructure Development Limited							(-)0.02	(-)0.01	200.00
29	Hyderabad Airport Metro Limited	(-)0.01	0.37		(-)0.79	(-)0.42		(-)0.01	(-)0.43	2.33
30	Bio Tech Hub Limited							(-)0.01	0.00	NA
Total (B)		**(-)1,402.35**	**(-)10,432.95**	**-**	**(-)1,698.30**	**(-)11,908.24**		**(-)3,153.36**	**(-)17,604.49**	
Grand Total (A+B)		**(-)7,233.42**	**(-)20,774.77**	**-**	**(-)6,379.69**	**(-)24,892.09**		**(-)9,567.00**	**(-)38,741.14**	

Appendix 5.5

Statement showing Return on Capital Employed of PSUs as on 31 March 2021

(Reference to paragraph 5.9.1.2, page 145)

(Figures in Columns 3, 4, 6, 7, 9 and 10 are in ₹ crore)

Sl. No.	Sector & Name of the PSU	2018-19			2019-20			2020-21		
		EBIT	Capital Employed	ROC (in %)	EBIT	Capital Employed	ROC (in %)	EBIT	Capital Employed	ROC (in %)
1	2	3	4	5	6	7	8	9	10	11
Power Sector PSUs										
1	Singareni Collieries Company Limited	4,116.72	11,400.95	36.11	4,061.85	12,199.98	33.29	1,723.45	10,753.23	16.03
2	Telangana State Power Generation Corporation Limited	2,109.39	20,090.87	10.50	2,477.14	23,539.76	10.52	2,990.02	26,465.95	11.30
3	Transmission Corporation of Telangana Limited	901.74	7,806.79	11.55	1,340.72	9,670.81	13.86	1,237.37	10,580.92	11.69
4	Southern Power Distribution Company of Telangana Limited	(-)3,983.01	(-)5,541.67	71.87	(-)3,970.95	(-)7,703.93	51.54	(-)2,717.14	(-)5,844.04	46.49
5	Northern Power Distribution Company of Telangana Limited	(-)2,524.36	(-)3,043.70	82.94	(-)489.57	(-)3,548.74	13.06	(-)1,745.65	(-)425.66	410.10
6	Telangana Power Finance Corporation Limited	0.00	3,363.21	0.00	0	3,008.15	0.00	0.00	2,924.00	0.00
7	Telangana State Renewable Energy Development Corporation Limited	1.54	(-)2.04	(-)75.49	1.89	(-)1.26	(-)150.00	3.46	3.96	87.37
Total (A)		**622.02**	**34,074.41**	**1.83**	**3,421.08**	**37,164.77**	**9.21**	**1,491.51**	**44,458.36**	**3.35**
Non-Power Sector PSUs										
8	Hyderabad Growth Corridor Limited	(-)0.11	6,869.89	0.00	0.03	6,859.50	0.00	0.02	7,100.44	0.00
9	Hyderabad Metro Rail Limited	(-)169.54	333.35	(-)50.86	(-)180.48	366.34	(-)49.27	(-)67.03	261.71	(-)25.61
10	Hyderabad Road Development Corporation Limited	(-)2.24	(-)1.24	180.65	2.11	0.37	570.27	1.53	2.53	60.47

Sl. No.	Sector & Name of the PSU	2018-19			2019-20			2020-21		
		EBIT	Capital Employed	ROC (in %)	EBIT	Capital Employed	ROC (in %)	EBIT	Capital Employed	ROC (in %)
1	2	3	4	5	6	7	8	9	10	11
11	Musi Riverfront Development Corporation Limited	0.00	1.00	0.00	0.00	1.00	0.00	0.00	33.50	0.00
12	Telangana Fiber Grid Corporation Limited	(-)2.17	(-)1.70	127.65	(-)3.63	(-)5.33	68.11	12.42	97.52	12.74
13	Telangana Industrial Health Clinic Limited	(-)1.24	7.17	(-)17.29	(-)1.53	8.12	(-)18.84	(-)0.71	7.42	(-)9.57
14	Telangana Overseas Manpower Company Limited	(-)0.25	1.77	(-)14.12	(-)0.12	1.53	(-)7.84	(-)0.05	1.48	(-)3.38
15	Telangana State Forest Development Corporation Limited	49.88	223.80	22.29	55.46	259.74	21.35	57.22	296.12	19.32
16	Telangana State Housing Corporation Limited	(-)279.69	962.95	(-)29.05	(-)506.94	1,960.13	(-)25.86	(-)714.09	889.03	(-)80.32
17	Telangana State Minorities Finance Corporation	1.08	49.10	2.20	3.06	53.37	5.73	5.36	58.73	9.13
18	Telangana State Seeds Development Corporation Limited	1.03	2.91	35.40	1.76	4.12	42.72	1.46	5.23	27.92
19	T-works Foundation	0.28	0.27	103.70	(-)0.22	0.05	(-)440.00	(-)1.54	0.51	(-)301.96
20	Telangana State Water Resources Infrastructure Development Corporation Limited	(-)0.08	5,009.58	0.00	(-)0.09	9,565.20	0.00	(-)0.62	11,810.02	(-)0.01
21	Telangana Life Sciences Infrastructure Development Limited							(-)0.02	(-)0.01	200.00
22	Wehub Foundation	(-)0.19	(-)0.04	475.00	1.33	4.81	27.65	(-)3.37	(-)0.53	635.85
23	Telangana Rashtra Rythu Samanvaya Samithi	(-)1.92	2.20	(-)87.27	(-)0.21	2.04	(-)10.29	(-)1.22	3.91	(-)31.20
24	Damodhara Minerals Private Limited	(-)0.01	(-)0.07	14.29	(-)0.01	(-)0.07	14.29	(-)0.01	(-)0.08	12.50
25	Telangana Rajiv Swagruha Corporation Limited	8.63	(-)441.08	(-)1.96	(-)4.60	(-)507.05	0.91	(-)66.27	(-)541.34	12.24
26	The Nizam Sugars Limited	6.79	(-)157.28	(-)4.32	0.74	(-)163.37	(-)0.45	0.38	(-)162.99	(-)0.23

Sl. No.	Sector & Name of the PSU	2018-19			2019-20			2020-21		
		EBIT	Capital Employed	ROC (in %)	EBIT	Capital Employed	ROC (in %)	EBIT	Capital Employed	ROC (in %)
1	2	3	4	5	6	7	8	9	10	11
27	Telangana State Road Transport Corporation	(-)742.96	(-)1,205.28	61.64	(-)808.45	(-)1,885.33	42.88	(-)2,111.72	(-)4,201.66	50.26
28	Telangana State Technology Services Limited	17.53	35.53	49.34	30.91	58.59	52.76	14.42	68.82	20.95
29	Hyderabad Airport Metro Limited	(-)0.01	0.37	(-)2.70	(-)0.79	(-)0.42	188.10	(-)0.01	(-)0.43	2.33
30	Bio Tech Hub Limited							(-)0.01	0.00	
Total (B)		**(-)1,115.19**	**11,693.20**	**(-)9.54**	**(-)1,411.67**	**16,583.34**	**(-)8.51**	**(-)2,873.86**	**15,729.93**	**(-)18.27**
Grand Total (A+B)		**(-)493.17**	**45,767.61**	**(-)1.08**	**2,009.41**	**53,748.11**	**3.74**	**(-)1,382.35**	**60,188.29**	**(-)2.30**

Appendix 5.6

Rate of Real Return on Investment on historical cost basis

(Reference to paragraph 5.9.1.3, page 147)

(₹ in crore)

Financial year	Investment on historical cost basis in the form of Equity and Grants & Subsidies and Interest Free Loans				Total Earnings/ Losses for the year	Rate of Real Return on Investment (in *per cent)*
	State	Central	Others	Total		
Power						
2014-15	11,316.33	858.73	81.76	12,256.82	(-)1,905.38	(-)15.55
2015-16	15,806.00	900.52	175.76	16,882.28	(-)2,319.77	(-)13.74
2016-17	22,485.88	933.07	263.03	23,681.98	(-)5,408.40	(-)22.84
2017-18	32,081.54	997.62	440.40	33,519.56	(-)3,926.81	(-)11.71
2018-19	44,410.59	1,715.80	490.85	46,617.24	(-)5,831.07	(-)12.51
2019-20	51,160.76	2,175.47	490.85	53,827.08	(-)4,681.39	(-)8.70
2020-21	56,824.10	2,309.19	517.85	59,651.14	(-)6,413.64	(-)10.75
Non- Power						
2014-15	1,799.24	0.00	0.90	1,800.14	(-)359.38	(-)19.96
2015-16	2,274.09	0.21	0.90	2,275.20	(-)427.23	(-)18.78
2016-17	3,860.66	25.66	237.39	4,123.71	(-)891.69	(-)21.62
2017-18	4,942.94	216.45	237.39	5,396.78	(-)1,032.76	(-)19.14
2018-19	7,363.15	580.09	288.34	8,231.58	(-)1,402.35	(-)17.04
2019-20	8,835.51	812.13	288.48	9,936.12	(-)1,698.30	(-)17.09
2020-21	11,258.49	890.06	540.67	12,689.22	(-)3,153.36	(-)24.85
Total						
2014-15	13,115.57	858.73	82.66	14,056.96	(-)2,264.76	(-)16.11
2015-16	18,080.09	900.73	176.66	19,157.48	(-)2,747.00	(-)14.34
2016-17	26,346.54	958.73	500.42	27,805.69	(-)6,300.09	(-)22.66
2017-18	37,024.48	1,214.07	677.79	38,916.34	(-)4,959.57	(-)12.74
2018-19	51,773.74	2,295.89	779.19	54,848.82	(-)7,233.42	(-)13.19
2019-20	59,996.27	2,987.60	779.33	63,763.20	(-)6,379.69	(-)10.01
2020-21	68,082.59	3,199.25	1,058.52	72,340.36	(-)9,567.00	(-)13.22

Appendix 5.7

RoRR on the basis of the Present Value of Investment

(Reference to paragraph 5.9.1.3, page 148)

(₹ in crore)

Financial year	Opening Balance of Present Value of Investment	Investment on historical cost basis in the form of Equity and Grants and Subsidies				Total Investment at the end of the year	Average rate of interest on government borrowings (in %)	Minimum expected return to recover cost of funds for the year	Present value of total investment at the end of the year	Total Earnings/ Losses for the year	Rate of Real Return on the basis of PV of Investment
		Equity	Interest free loans	Subsidies / Grants	Total						
	i	ii	iii	iv	(v) = (ii+ iii+iv)	vi=(i+v)	vii	viii=(vi*vii)/100	ix= (vi+ viii)	x	xi
Power Sector											
2014-15	0.00	8,625.20	0.00	3,631.62	12,256.82	12,256.82	7.00	857.98	13,114.80	(-)1,905.38	(-)14.53
2015-16	13,114.80	523.59	0.00	4,101.87	4,625.46	17,740.26	8.50	1,507.92	19,248.18	(-)2,319.77	(-)12.05
2016-17	19,248.18	2,262.61	0.00	4,537.09	6,799.70	26,047.88	7.40	1,927.54	27,975.42	(-)5,408.40	(-)19.33
2017-18	27,975.42	5,344.45	0.00	4,493.13	9,837.58	37,813.00	7.21	2,726.32	40,539.32	(-)3,926.81	(-)9.69
2018-19	40,539.32	7,276.83	0.00	5,820.85	13,097.68	53,637.00	6.94	3,722.41	57,359.41	(-)5,831.07	(-)10.17
2019-20	57,359.41	2,000.00	0.00	5,209.84	7,209.84	64,569.25	6.70	4,326.14	68,895.39	(-)4,681.39	(-)6.79
2020-21	68,895.39	1.95	0.00	5,822.11	5,824.06	74,719.45	6.60	4,931.48	79,650.93	(-)6,413.64	(-)8.05
Non-Power Sector											
2014-15	0.00	34.76	1,765.38	0.00	1,800.14	1,800.14	7.00	126.01	1,926.15	(-)359.38	(-)18.66
2015-16	1,926.15	96.13	235.66	143.27	475.06	2,401.21	8.50	204.10	2,605.31	(-)427.23	(-)16.40
2016-17	2,605.31	344.89	233.07	1,270.55	1,848.51	4,453.82	7.40	329.58	4,783.41	(-)891.69	(-)18.64
2017-18	4,783.41	5.01	130.00	1,138.06	1,273.07	6,056.48	7.21	436.67	6,493.15	(-)1,032.76	(-)15.91
2018-19	6,493.15	5.46	414.33	2,415.01	2,834.80	9,327.95	6.94	647.36	9,975.31	(-)1,402.35	(-)14.06
2019-20	9,975.31	5.03	250.00	1,449.51	1,704.54	11,679.85	6.70	782.55	12,462.40	(-)1,698.30	(-)13.63
2020-21	12,462.40	0.01	290.29	2,462.80	2,753.10	15,215.50	6.60	1,004.22	16,219.72	(-)3,153.36	(-)19.44
Total											
2014-15	0.00	8,659.96	1,765.38	3,631.62	14,056.96	14,056.96	7.00	983.99	15,040.95	(-)2,264.76	(-)15.06
2015-16	15,040.95	619.72	235.66	4,245.14	5,100.52	20,141.47	8.50	1,712.02	21,853.49	(-)2,747.00	(-)12.57
2016-17	21,853.49	2,607.50	233.07	5,807.64	8,648.21	30,501.70	7.40	2,257.13	32,758.83	(-)6,300.09	(-)19.23

Financial year	Opening Balance of Present Value of Investment	Investment on historical cost basis in the form of Equity and Grants and Subsidies				Total Investment at the end of the year	Average rate of interest on government borrowings (in %)	Minimum expected return to recover cost of funds for the year	Present value of total investment at the end of the year	Total Earnings/ Losses for the year	Rate of Real Return on the basis of PV of Investment
		Equity	Interest free loans	Subsidies / Grants	Total						
	i	ii	iii	iv	(v) = (ii+ iii+iv)	vi=(i+v)	vii	viii=(vi*vii)/100	ix= (vi+ viii)	x	xi
2017-18	32,758.83	5,349.46	130.00	5,631.19	11,110.65	43,869.48	7.21	3,162.99	47,032.47	(-)4,959.57	(-)10.54
2018-19	47,032.47	7,282.29	414.33	8,235.86	15,932.48	62,964.95	6.94	4,369.77	67,334.71	(-)7,233.42	(-)10.74
2019-20	67,334.71	2,005.03	250.00	6,659.35	8,914.38	76,249.09	6.70	5,108.69	81,357.78	(-)6,379.69	(-)7.84
2020-21	81,357.78	1.96	290.29	8,284.91	8,577.16	89,934.94	6.60	5,935.71	95,870.65	(-)9,567.00	(-)9.98
Total		**26,525.92**	**3,318.73**	**42,495.71**	**72,340.36**						

Appendix 5.8

Statement showing list of PSUs where Statutory Auditor's Report was revised

(Reference to paragraph 5.14.2, page 151)

Sl. No.	Name of the PSU	Year of Accounts
	Power Sector PSUs	
1	Telangana State Renewable Energy Development Corporation Limited	2017-18
	Non-Power Sector PSUs	
2	Hyderabad Growth Corridor Limited	2015-16
3	Telangana Water Resources Development Corporation Limited	2019-20
4	Hyderabad Road Development Corporation Limited	2018-19
5	Pashamylaram Textile Park	2014-15
6	Telangana State Water Resources Infrastructure Development Corporation Limited	2018-19
7	Telangana State Industrial Infrastructure Corporation Limited	2016-17

Appendix 5.9

Statement showing list of PSUs where accounts comments were issued by the CAG

(Reference to paragraph 5.14.3, page 152)

Sl. No.	Name of the PSU	Year of Accounts
	Power Sector PSUs	
1	Northern Power Distribution Company of Telangana Limited	2019-20
2	Transmission Corporation of Telangana Limited	2019-20
3	Telangana State Renewable Energy Development Corporation Limited	2017-18
	Non-Power Sector PSUs	
4	Hyderabad Growth Corridor Limited	2015-16
5	Hyderabad Growth Corridor Limited	2016-17
6	Telangana Water Resources Development Corporation Limited	2019-20
7	Telangana State Water Resources Infrastructure Development Corporation Limited	2018-19
8	Telangana State Forest Development Corporation Limited	2017-18
9	Telangana State Industrial Infrastructure Corporation Limited	2016-17
10	Telangana State Urban Finance Infrastructure Development Corporation Limited	2017-18
11	Hyderabad Road Development Corporation Limited	2018-19
12	Telangana State Police Housing Corporation Limited	2018-19
13	Telangana State Civil Supplies Corporation Limited	2015-16
14	Telangana Drinking Water Supply Corporation Limited	2017-18

Appendix 5.10

Statement showing list of PSUs which did not comply with Accounting Standards/Indian Accounting Standards as reported by Statutory Auditor

(Reference to paragraph 5.15, page 155)

Sl. No.	Name of the PSU	Year of Accounts	Number of Accounting Standard/ Ind AS
	Power Sector PSUs		
1	Northern Power Distribution Company of Telangana Limited	2019-20	AS-12, AS-13, AS-16, AS-28
2	Transmission Corporation of Telangana Limited	2019-20	Ind AS -8,Ind AS -12, Ind AS -109
3	Telangana State Renewable Energy Development Corporation Limited	2017-18	AS-2, AS-9
	Non-Power Sector PSUs		
4	Telangana State Agro Industries Development Corporation Limited	2017-18	AS-2
5	Telangana State Civil Supplies Corporation Limited	2015-16	AS-15
6	Telangana State Industrial Infrastructure Corporation Limited	2016-17	AS-2, AS-9, AS-13

Appendix 5.11

Statement showing list of PSUs where Management Letters were issued

(Reference to paragraph 5.16, page 156)

Sl. No.	Name of the Company	Year of Account
	Power Sector PSUs	
1	Northern Power Distribution Company of Telangana Limited	2019-20
2	Transmission Corporation of Telangana Limited	2019-20
	Non-Power Sector PSUs	
3	Telangana State Agro Industries Development Corporation Limited	2017-18
4	Hyderabad Growth Corridor Limited	2015-16
5	Hyderabad Growth Corridor Limited	2016-17
6	Telangana Drinking Water Supply Corporation Limited	2017-18
7	Telangana State Industrial Infrastructure Corporation Limited	2016-17
8	Telangana State Urban Finance Infrastructure Development Corporation Limited	2017-18
9	Hyderabad Road Development Corporation Limited	2018-19
10	Telangana State Civil Supplies Corporation Limited	2015-16
11	Pashamylaram Textile Park	2014-15

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