

Chapter IV

Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system with relevant and reliable information contributes significantly to 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 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 Non-discharge of interest liability in respect of interest-bearing Reserve Funds and Deposits

Funds in Reserve Funds and Deposits sections under Public Account are of two categories viz., interest bearing and not bearing interest. The State Government is required to pay interest on un-invested balances lying under Reserve Funds and Deposits bearing Interest. During the year 2022-23, the State Government did not discharge interest liability of ₹131 crore in respect of balances in the interest-bearing Reserve Funds and Deposits, as shown below:

Table 4.1: Non-Discharge of interest liability

(₹ in crore)

Sector	Sub-sector	Rate of interest estimated	Balance as of April 2022	Interest Due
J-Reserve Funds	State Disaster Response Fund (MH 8121 - MiH 122)	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) under Overdraft regulation Guidelines of the Reserve Bank of India (interest is calculated on monthly balances with rate of interest arrived at monthly repo rate + 2 per cent)	608	53
J-Reserve Funds	State Compensatory Afforestation Fund (MH 8121 - MiH 129)	Interest rate of 3.35 per cent fixed by Ministry of Environment, Forest & Climate Change (National Authority)	1,450	47

Sector	Sub-sector	Rate of interest estimated	Balance as of April 2022	Interest Due
J-Reserve Funds	State Disaster Mitigation Fund (MH 8121 - MiH 130)	As per SDMF guidelines, the rate of interest is, the rate applicable to overdraft (2 per cent over the Ways and Means Advances interest rate) under overdraft regulations guidelines of the RBI i.e., 7.49 per cent calculated at the average during 2022-23	120	9
K-Deposits and Advances	Defined Contribution Pension Scheme for Government Employees (MH 8342 - MiH 117)	Interest calculated as per the rate of interest notified by the Government/payable to General Provident Fund i.e., 7.10 per cent	314	22
Total Interest Due				131

Source: Finance Accounts

Non-payment/short payment of the interest amounting to ₹131 crore resulted in understatement of Revenue and Fiscal Deficit to that extent. The Government also did not pay interest on these in the past five years amounting to ₹ 469 crore¹.

Further, the balance under Deposits of other Autonomous Bodies and Miscellaneous Deposits (which are under the category of Deposits bearing interest) were ₹2,390 crore and ₹146 crore respectively, as of 1 April 2022. The Government has not been paying interest on these deposits.

Undischarged liability in the current year increases the burden on the Government's Revenue Expenditure at a future date.

4.3 Funds transferred directly to State Implementing Agencies

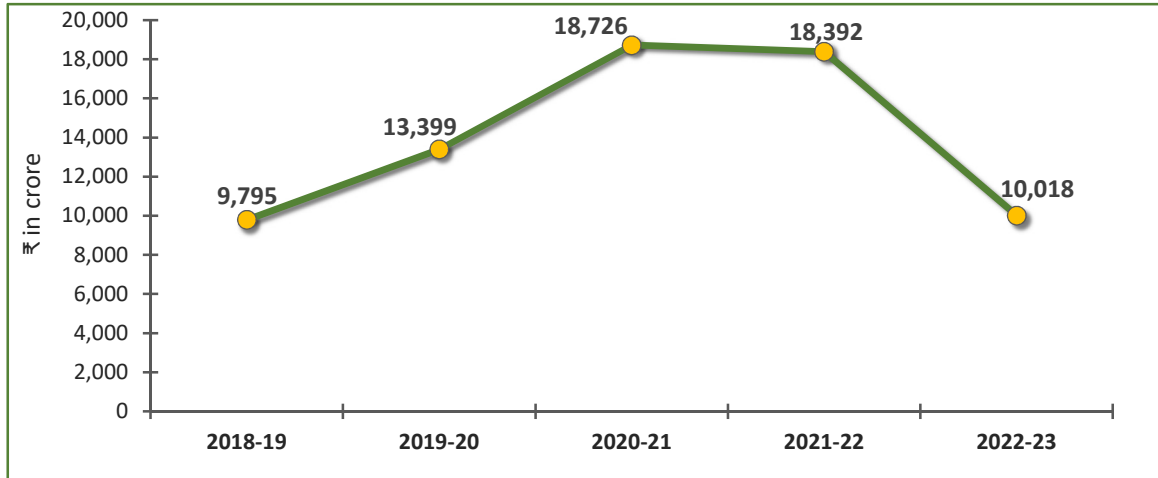
Government of India (GoI) decided to release all assistance related to the Centrally Sponsored Schemes/Additional Central Assistances to the State Government and not directly to implementing agencies with effect from 1 April 2014. However, GoI transferred an amount of ₹82,242 crore² directly to the State Implementing Agencies in Telangana during 2014-15 to 2022-23.

Trend of direct transfer of funds to the implementing agencies during the last five years is given in **Chart 4.1**.

¹ (i) 2017-18: ₹22 crore; (ii) 2018-19: ₹29 crore, (iii) 2019-20: ₹23 crore, (iv) 2020-21: ₹213 crore, (v) 2021-22: ₹182 crore

² (i) 2014-15: ₹425 crore, (ii) 2015-16: ₹858 crore, (iii) 2016-17: ₹888 crore, (iv) 2017-18: ₹9,741 crore, (v) 2018-19: ₹9,795 crore, (vi) 2019-20: ₹13,399 crore, (vii) 2020-21: ₹18,726 crore, (viii) 2021-22: ₹18,392 crore, and (ix) 2022-23: ₹10,018 crore

Chart 4.1: Funds transferred directly to implementing agencies during 2018-19 to 2022-23



Source: Finance Accounts

Details of all direct transfers during 2022-23 are available in Appendix-VI of the Finance Accounts. It can be seen from above that such direct transfer to State Implementing Agencies during the year reduced by 46 *per cent* in comparison to the previous year. 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.	Institution and Scheme	Amount (₹ in crore)
1	Telangana State Civil Supplies Corporation towards Food Subsidy for Decentralised Procurement of Food grains under NFSA	5,243
2	Commissioner, Rural Development towards Mahatma Gandhi National Rural Employment Guarantee Scheme	2,127
3	Department of Agriculture towards Pradhan Mantri Kisan Samman Nidhi	2,022

Source: Finance Accounts

During the past five years, direct releases were more prominent in respect of Mahatma Gandhi National Rural Employment Guarantee Scheme (₹31,818 crore³) and Food Subsidy for Decentralised Procurement of Food grains under National Food Security Act (₹26,786 crore⁴) and Pradhan Mantri Kisan Samman Nidhi Scheme (₹9,042 crore⁵).

As these funds were not routed through the Consolidated Fund of the State, the Annual Accounts did not capture the flow of such funds. Thus, the State's receipts and expenditure as well as other fiscal variables, did not present the complete picture to that extent.

³ (i) 2018-19: ₹6,376 crore, (ii) 2019-20: ₹6,336 crore, (iii) 2020-21: ₹9,006 crore, (iv) 2021-22: ₹7,973 crore, and (v) 2022-23: ₹2,127 crore

⁴ (i) 2018-19: ₹2,559 crore, (ii) 2019-20: ₹4,439 crore, (iii) 2020-21: ₹6,880 crore, and (iv) 2021-22: ₹7,665 crore and (v) 2022-23: ₹5,243 crore

⁵ (i) 2018-19: ₹377 crore, (ii) 2019-20: ₹2,176 crore, (iii) 2020-21: ₹2,187 crore, (iv) 2021-22: ₹2,280 crore, and (v) 2022-23: ₹ 2,022 crore

4.4 Deposits of Local Funds

Local Funds pertaining to Panchayat Raj Institutions and Urban Local Bodies are maintained in State Government Accounts under Deposits section in 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. Disbursements are made by Gram Panchayats towards sanitation, plantation, street lighting, etc.⁶ while Municipalities spend towards water supply, sanitation, public streets, street lighting, markets, etc.⁷. The details of Deposits of Local Funds with the State Government are as under:

Table 4.3: Deposits of Local Funds

(₹ in crore)

Fund	Head of Account		2018-19	2019-20	2020-21	2021-22	2022-23
Urban Local Bodies							
Municipal Funds	(8448-102)	Opening Balance	1,286*	1,678	1,848	2,511	1,838
		Receipts	1,740	2,200	3,221	1,528	1,009
		Expenditure	1,348	2,030	2,558	2,201	1,386
		Closing Balance	1,678	1,848	2,511	1,838	1,461
Panchayat Raj Institutions							
Village Panchayat Fund	(8448-109-01)	Opening Balance	924*	1,453	1,579	2,205	1,655
		Receipts	1,945	2,898	3,920	3,032	1,589
		Expenditure	1,416	2,772	3,294	3,582	2,194
		Closing Balance	1,453	1,579	2,205	1,655	1,050
Mandal Praja Parishad Funds	(8448-109-02)	Opening Balance	101*	143	92	286	475
		Receipts	158	130	331	470	206
		Expenditure	116	181	137	281	209
		Closing Balance	143	92	286	475	472
Zilla Parishad Funds	(8448-109-03)	Opening Balance	287*	364	373	408	512
		Receipts	203	266	204	252	133
		Expenditure	126	257	169	148	199
		Closing Balance	364	373	408	512	446
Total Closing Balance of Panchayat Raj Institutions Funds to the end of the year			1,960	2,043	2,899	2,641	1,968

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

⁶ Telangana Panchayat Raj Act, 2018

⁷ Telangana Municipalities Act, 2019

The Municipal Fund included (i) XIII Finance Commission Grants (₹551 crore), (ii) Municipal Corporation Fund (₹502 crore), (iii) General Funds (₹266 crore), and (iv) Municipal Employees Salary Fund (₹109 crore).

The Village Panchayat Fund included (i) State Finance Commission Grants (₹476 crore), (ii) General Funds (₹392 crore), and (iii) XIII Finance Commission Grants for Gram Panchayats (₹181 crore).

An amount of ₹732 crore, pertaining to XIII Finance Commission Grants pertaining to Local Bodies, was with State Government in Public account. This indicates that the huge amounts released as XIII Finance Commission Grants (for the period 2010-2015) are still lying in the public account without being expended, even after lapse of eight years.

As mentioned in *Paragraphs 1.4* and *2.6*, the balance under public account after disbursements is the fund available to the Government for use for various purposes. The Government acts as a banker in respect of these funds and the Government has a liability to repay these amounts. Hence, keeping sizeable amounts pertaining to Local Funds for prolonged periods with the State Government under public account indicate that apart from non-utilisation of them for the intended purposes under local Governments, these amounts are utilised by the Government for other purposes, if equivalent cash balance is not available with Government.

Audit recommends that the State Government may ensure the funds eligible to local Government agencies are made available to them for timely use on a priority basis.

Issues related to Transparency

4.5 Abstract Contingent Bills

Article 94 of State Financial Code envisage that no money may be drawn from the treasury unless it is required for immediate disbursement. However, Article 102 permits drawal of advances on ‘Abstract Contingent’ (AC) bills for the purpose of meeting contingent expenditure for specified purposes. Initially made as an advance, its subsequent adjustments are to be ensured through submission of Detailed Contingent (DC) bills within three months from drawal of AC bill as stipulated in Government orders⁸.

The year-wise details of drawal of AC bills / submission of DC bills and unadjusted AC bills as on 31 March 2023⁹ are indicated in *Table 4.4*. The year-wise pendency of DC bills is given at *Appendix 4.1*.

⁸ G.O.No.507, dt.10-04-2002

⁹ Drawal of AC Bills taken up to March 2023 and Submission of DC Bills taken up to July 2023

Table 4.4: 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 2020-21	27,542	2,568	27,338	2,507	204	61
2021-22	2,744	700	2,717	635	27	65
2022-23	455	114	365	49	90	65
Total	30,741	3,382	30,420	3,191	321	191

Source: Information furnished by Principal Accountant General (Accounts and Entitlements)

Audit observed the following:

- In the previous year 2021-22, there were 496 AC bills valuing to ₹159 crore were awaiting submission of DC bills as of 31 March 2022. Thus, there was a decrease in volume of unadjusted AC bills though value of unadjusted AC bills has increased when compared to 31 March last year.
- Out of 455 AC bills amounting to ₹114 crore drawn during the year 2022-23, it was noted, 23 AC bills amounting to ₹17 crore (15 per cent) were drawn in March 2023. DC Bills in respect of a total of 321 AC bills amounting to ₹191 crore as on 31 March 2023 were not received.
- Through Treasuries, an amount of ₹27 crore was drawn on 271 AC bills during 2022-23. This is less when compared to previous year (₹52 crore). Similarly, in the month of March 2023, one AC bill amounting to ₹0.06 crore were drawn. This was also less when compared to amounts drawn on AC bills in the month of March 2022 during the previous year.
- Through treasuries, out of the 574 AC bills valuing ₹75 crore cleared during the period from April 2022 to July 2023, 254 bills valuing ₹23 crore pertained to AC bills drawn during the current year 2022-23, while 320 bills valuing ₹52 crore belong to earlier period.
- The Department-wise pendency of DC bills since 2014 is available at *Appendix 4.2*. Out of these, the major amount ₹101 crore of unadjusted AC Bills was pertaining to Home Department.

4.6 Personal Deposit Accounts

Personal Deposit (PD) Accounts, commonly known as Personal Ledger Accounts are maintained in the treasuries in the nature of banking accounts. A PD Account enables 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.

Personal Deposit Accounts are established in the following manner:

- Under statutory provisions of the Government or by creation 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.

As per the List of Major and Minor Heads notified by Controller General of Accounts, Personal Deposits are covered under Major Head 8443 – Civil Deposit – Minor Head 106 – Personal Deposits.

4.6.1 Status of Personal Deposit Accounts

The status of Personal Deposit Accounts as on 31 March 2023 is given in **Table 4.5**:

Table 4.5 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	147 ¹⁰	130
2	New Personal Deposit Accounts opened during the year	--	--
3	Receipts into the Personal Deposit Accounts during the year	--	2,013
4	Total	147	2143
5	Payments during the year	--	1850
6	Amount lapsed during the year	--	143
7	Personal Deposit Accounts closed during the year	16	0.01
8	Personal Deposit Accounts existing at the end of the year	131	150

Source: Information furnished by Director of Treasuries and Accounts (DTA) to Principal Accountant General (A&E)

During 2022-23, ₹2,008 crore was transferred from the Consolidated Fund of the State to these Accounts which was significantly increased by 230 per cent over previous year (₹608 crore) and ₹5 crore was credited through challans. Steep increase in transfer from Consolidated Fund to PD Accounts could be avoiding of lapse of budget during the year. Of this, ₹221 crore (11 per cent of the total transfer to PD Accounts during the year) was in the month of March 2023. An amount of ₹50 crore was transferred on the last day of the financial year (i.e., 31 March 2023).

4.6.2 Non-closure of in-operative Personal Deposit Accounts

As per Article 271(iii) (4) of Telangana Financial Code Volume 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 Account can be opened next year again, if necessary, in the usual manner. If any Personal Deposit

¹⁰ Closing balance at the end of previous year was 146 accounts with a balance of ₹132 crore. The reduction in the Opening balance when compared to closing balance of previous year was due to closure of one PD account without deduction in the closing balance of ₹1.83 crore of 2021-22 due to technical problem. The increase in number of PD accounts was due to reopening of one PD account at a different place in 2021-22, the details of which were informed during 2022-23.

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.

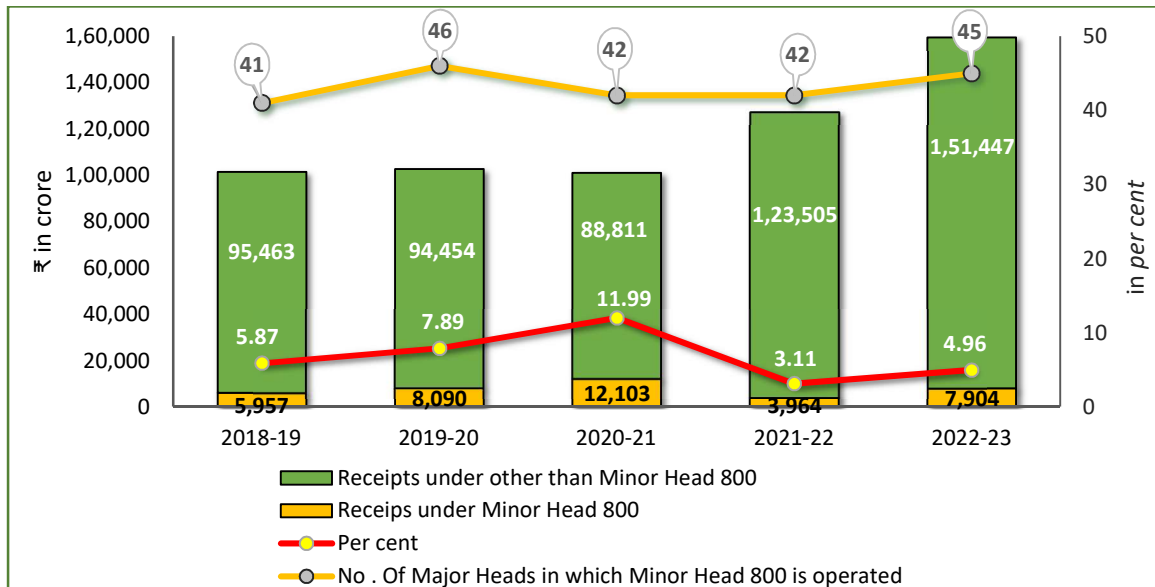
Out of 131 PD Accounts existing at the end of the year, only 22 PD Accounts had both receipts and payments. There were only receipts in 32 PD Accounts and only payments in 6 PD Accounts. **There were neither receipts nor payments in 71 PD Accounts, indicating their non-operation during 2022-23. Out of these 71 PD Accounts, 46 PD Accounts were not active last year as well. These in-operative PD Accounts may be reviewed and closed.**

As per Government Orders¹¹, funds released to Category ‘C’ Deposit Account, during a particular financial year shall lapse by 31 March of the next financial year. The administrators of Personal Deposit Accounts are therefore, required to revert the unspent balances to Government account. Accordingly, ₹143 crore was lapsed during 2022-23. However, an amount of ₹24 lakh was credited into Revenue Heads of Account instead of minus debit of the balance to the relevant service heads in the Consolidated Fund as per Article 271(iii) 4 of the Financial Code.

4.7 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 2018-19 to 2022-23 are detailed in *Charts* below:

Chart 4.2: Operation of Minor Head 800 – Other Receipts during 2018-19 to 2022-23



Source: Finance Accounts; Note: Receipts include Revenue Receipts only

¹¹ G.O.Ms.NO.43, dated 22 April 2000

- The use of omnibus Minor Head-800 increased by ₹3,940 crore in 2022-23 in respect of Receipts when compared to previous year. Mainly, there was an increase of ₹4,553 crore under “0075-Miscellaneous General Services - 81 Other Receipts – 800-Other Receipts”. Since the classification at lower levels, i.e., from Minor Head to Detailed Head level, was depicted as ‘Other Receipts’, the exact source of nature of the receipt could not be identified easily.
- Further, in 2022-23, out of ₹7,904 crore Receipts under Minor Head 800 – Other Receipts, an amount of ₹6,560 crore was classified under omnibus Minor Head 800 – Other Receipts with description of Sub-Heads and Detailed Heads also as Other Receipts/Other items and Other Receipts/Other items/Others respectively, thus, making it difficult to identify either the source or the nature of the receipt. In fact, in the month of March 2023 itself, an amount of ₹5,796 crore was received without specific details. Out of this, ₹5,562 crore was remitted by PAO, ‘Hyderabad Urban’ under Miscellaneous General Services. Audit scrutiny revealed that this was due to lapsing of Deposits and crediting the same to Government Account as Revenue Receipts instead of as reduction of expenditure (refer to **Paragraphs 2.4.1.1 (ii)** and **3.2.2.1**). Similarly, another ₹171 crore was received through ‘Hyderabad Urban’ under Crop Husbandry without any specific details.

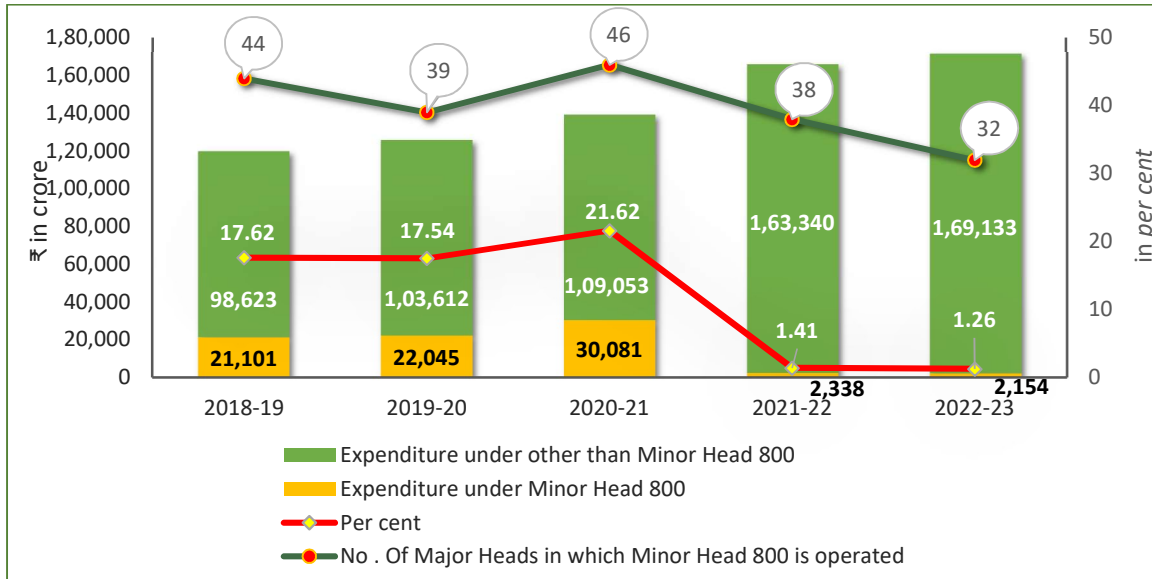
Moreover, as discussed in **Paragraph 4.9** this Major Head of Account 0075-Miscellaneous General Services is not reconciled so far (August 2023).

- During the past five years, receipts of more than ₹1,000 crore in each year were classified under Minor Head 800 - Other Receipts in respect of Major Head 0075 - Miscellaneous General Services¹². This shows that huge receipts are being classified as Other Receipts during the past five years.
- In respect of 13 Receipt Major Heads like Civil Supplies, Urban Development, Power, Medium Irrigation, Civil Aviation, etc. entire receipts totalling to ₹205 crore were classified under Minor Head – 800 – Other Receipts (details in **Appendix 4.3**).
- In respect of seven¹³ Receipt Major Heads, the receipts of ₹7,574 crore classified under Minor Head 800 – Other Receipts were more than ₹100 crore in each case (details in **Appendix 4.4**).
- In respect of 11 Major Heads (**Appendix 4.5**), a substantial portion i.e., 50 per cent or more was classified under Minor Head 800 – Other Receipts, which were amounting to ₹6,294 crore.

¹² ₹5,723 crore in 2022-23, ₹1,190 crore in 2021-22, ₹1,201 crore in 2020-21, ₹1,764 crore in 2019-20 and ₹2,661 crore in 2018-19

¹³ (i) Miscellaneous General Services, (ii) Non-ferrous Mining and Metallurgical Industries, (iii) Forestry and Wildlife, (iv) Crop Husbandry, (v) Stamps and Registration Fees, (vi) Major Irrigation and (vii) Taxes on Vehicles

Chart 4.3: Operation of Minor Head 800 – Other Expenditure during 2018-19 to 2022-23



Source: Finance Accounts

Note: Expenditure includes both Revenue and Capital Expenditure

- The use of omnibus Minor Head-800 in monetary value has decreased marginally in respect of expenditure. It can be seen from above that the use of omnibus Minor Head in respect of expenditure has come down considerably in the past two years.
- In respect of nine Expenditure Major Heads, the expenditure of ₹1,719 crore classified under Minor Head 800 – Other Expenditure was more than ₹100 crore in each case (details in **Appendix 4.6**). Out of above, six¹⁴ Major Heads with expenditure of more than ₹100 crore were classified under Minor Head 800 – Other Expenditure for the last five financial years.
- In respect of five Major Heads, expenditure amounting to ₹438 crore, (details in **Appendix 4.7**), substantial portion *i.e.*, 50 per cent or more was classified under Minor Head 800 – Other Expenditure.
- Further, an amount of ₹74 crore was classified under Omnibus Minor Head 800 – Other Expenditure with Description of Sub-Heads and Detailed Heads also as Other Expenditure and Other Charges respectively there by making it difficult to identify either the purpose or the nature of the expenditure. All this expenditure without specific details occurred in ‘Relief on account of Natural Calamities’.

Indiscriminate use of Omnibus Minor Head 800 – Other Receipts/Expenditure increases the opaqueness in accounts, which is undesirable. Classification of 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.

¹⁴ (i) Capital Outlay on Major Irrigation, (ii) Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities, (iii) Capital Outlay on Roads and Bridges, (iv) Capital Outlay on Other General Economic Services, (v) Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities and (vi) Pensions and Other Retirement Benefits

Box 4.1: Classification of 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 2022-23, the expenditure of ₹3,633 crore was booked under Detailed Head 500 – Other Charges (2.12 per cent of total Expenditure). This includes ₹370 crore under Minor Head – 800 Other Expenditure and ₹1,483 crore under MGNREGA. Classification of large amounts under the Detailed Head 500 - Other Charges affects transparency in financial reporting.

4.7.1 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 4.6: 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	1.33
2	0202-04-800-01	Receipts of the Department of Archaeology	0202-04-101	Archives and Museums	53.71

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**4.8 Outstanding balances under Suspense and DDR Heads**

The transactions relating to “Suspense” and “Remittances” heads are intended to record all adjusting heads. Certain intermediary/adjusting Heads of Accounts known as ‘Suspense Heads’ are opened in Government Accounts to reflect transactions of Receipts 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 this 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 that 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 4.7**:

Table 4.7: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2020-21		2021-22		2022-23	
	Debit (Dr)	Credit (Cr)	Debit (Dr)	Credit (Cr)	Debit (Dr)	Credit (Cr)
Major Head 8658 - Suspense						
101 - PAO suspense	547.13	405.16	701.11	608.09	870.97	798.90
Net Balance	Dr 141.97		Dr 93.02		Dr 72.07	
102 - Suspense Account-Civil	1,358.34	1,605.59	2,975.95	3,399.80	5,117.83	5,548.16
Net Balance	Cr 247.25		Cr 423.85		Cr 430.33	
109 - Reserve Bank Suspense - Headquarters	5.22	(-)0.33	5.23	2.78	5.22	2.72
Net Balance	Dr 5.55		Dr 2.45		Dr 2.50	
110 - Reserve Bank Suspense – CAO	(-)10.88	(-)11.28	(-)10.98	(-)11.38	0.10	(-)0.14
Net Balance	Cr 0.40		Cr 0.40		Dr 0.24	
112 - Tax Deducted at Source (TDS) Suspense	(-)0.01	92.10	(-)0.01	618.68	(-)0.00	938.00
Net Balance	Cr 92.11		Cr 618.69		Cr 938.00	
123 - A.I.S Officers’ Group Insurance Scheme	0.01	0.09	0.00	0.11	0.00	0.13
Net Balance	Cr 0.08		Cr 0.11		Cr 0.13	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	265.69	159.74	154.03	169.07	144.99	142.35
Net Balance	Dr 309.79		Dr 294.75		Dr 297.39	
103 - Forest Remittances	430.35	531.21	392.62	960.33	746.13	286.43
Net Balance	Cr 488.32		Cr 1,056.03		Cr 596.33	
Major Head 8793-Inter State Suspense Account	102.42	29.47	68.45	29.51	72.03	29.36
Net Balance	Dr 72.95		Dr 38.94		Dr 42.67	

Source: Finance Accounts

The increase under 8658-102 Suspense Accounts Civil was mainly on account of (i) un-credited items under e-Payments mainly in respect of Salaries, Rythu Bandhu return challans and Personal Deposit Account challans, and (ii) PAO Cheque Returns mainly in respect of Irrigation. Under 8658-112 Tax Deducted at Source (TDS) Suspense, the balance to be adjusted increased from ₹619 crore to ₹938 crore when compared to last year.

Under Public Works Remittances, the balance to be adjusted marginally increased from ₹295 crore to ₹297 crore. However, under Forest Remittances, the balance to be adjusted decreased from ₹1,056 crore to ₹596 crore.

Un-cleared balances under these heads due to non-adjustment affects the accurate depiction of Government’s Receipts and Expenditure.

4.9 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 enable the Chief Controlling Officers (CCOs) to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts. Government Orders¹⁵ and Financial Rules¹⁶ stipulate that expenditure recorded in the books of CCOs of Departments is to be reconciled with the books of the Principal Accountant General (Accounts and Entitlements) every month.

Table 4.8: Status of Reconciliation of Receipts and Expenditure figures

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled
Receipts				
2018-19	39	15	10	14
2019-20	38	9	23	6
2020-21	54	15	6	33
2021-22	59	19	12	28
2022-23	58	20	9	29
Expenditure				
2018-19	281	191	51	39
2019-20	196	63	94	39
2020-21	194	95	63	36
2021-22	198	108	72	18
2022-23	196	85	86	25

Source: Finance Accounts

Note: For expenditure, figures for 2018-19 are Major Head- wise, there after CCO-wise; for receipts, figures are Major Head wise

In monetary terms for 2022-23, receipts of ₹1,48,579 crore (93 per cent out of total Revenue Receipts) and expenditure of ₹1,59,802 crore (93 per cent out of total Expenditure) were reconciled. Overall, an amount of ₹10,771 crore under Receipts and ₹11,485 crore under Expenditure remained unreconciled.

- Four Major Heads (**Appendix 4.8**) with more than ₹100 crore in each case and totalling to ₹10,329 crore were yet to be reconciled (August 2023) pertaining to revenue receipts of 2022-23. Out of this, Miscellaneous General Services (Major Head 0075) alone constituted 91 per cent (₹9,800 crore) of the total un-reconciled receipts.

Further, out of this ₹9,800 crore, an amount of ₹5,714 crore was classified as ‘Other Receipts’ at Minor Head, Sub-Head and Detailed Head levels was not reconciled and the same would adversely impact both transparency and accuracy as discussed in **Paragraph 4.7**.

¹⁵ GO Ms. No. 507 of Finance (TFR) Department, dated 10 April 2002

¹⁶ Article 9 of Financial Code

- One Major Head¹⁷ has un-reconciled receipts of above ₹100 crore persistently for the past three years.
- There were 20 Chief Controlling Officers (CCOs), who did not reconcile expenditure of more than ₹100 crore in each case totalling to ₹10,425 crore (*Appendix 4.9*). Out of this, there were four CCOs whose expenditure was above ₹1,000 crore in each case and totalling to ₹5,717 crore.
- Accounts Officer, Office of the Commissioner of Tribal Welfare¹⁸, has not reconciled expenditure of ₹100 crore and above persistently for the past five 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.

4.10 Reconciliation of Cash Balances

Cash balance as reported in the accounts is the balance of the State as at end of the 31 March of a year recorded in the Account of the State Government with the Central Accounts Section of Reserve Bank of India. The cash balance reflects the balance after cash transactions involving Consolidated Fund, the Contingency Fund and Public Account of the State for the year. Cash balance reported in the Finance Accounts is subject to reconciliation with the books of the Reserve Bank of India. Ideally, the cash balance of the State as per the books of Accounts of the Principal Accountant General (A&E) (PAG (A&E)) should match with the cash balance reported by the Reserve Bank of India.

The cash balance as on 31 March 2023, as per records of the PAG (A&E) was ₹34.78 crore (debit) and that reported by RBI was ₹33.81 crore (credit). There was a net difference of ₹0.97 crore (debit) as on 31 March 2023 mainly due to delay in reporting by Agency Banks.

Issues related to Disclosure

4.11 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 four¹⁹ Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Telangana in 2022-23 and deficiencies therein are detailed in *Table 4.9*.

¹⁷ Medical and Public Health (MH-0210) ₹246 crore, ₹406 crore, and ₹246 crore for the years 2022-23, 2021-22 and 2020-21 respectively.

¹⁸ (i) ₹682 crore in 2022-23; ₹1,071 crore in 2021-22; ₹952 crore in 2020-21; ₹114 crore in 2019-20 and ₹659 crore in 2018-19.

¹⁹ Indian Government Accounting Standard 4 – Prior Period Adjustments, notified on 2 March 2023 would be applicable to financial statements for the period commencing from 1 April 2023

Table 4.9 Compliance with Accounting Standards

Sl. No.	Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
1	IGAS 1: <i>Guarantees Given by the Government – Disclosure requirements</i>	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 with (Statements 9 and 20 of Finance Accounts)	<ul style="list-style-type: none"> The Government did not disclose the Guarantees to the extent of ₹50,000 crore given to Telangana State Civil Supplies Corporation and ₹16,000 crore given to Power Sector. Though sector-wise / class-wise details were disclosed, detailed information like the number of Guarantees given institution-wise was not disclosed. The details of guarantees invoked during 2022-23, discharged or not discharged are not disclosed.
2	IGAS 2: <i>Accounting and Classification of Grants-in-Aid</i>	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 with (Statement 10 of Finance Accounts)	<ul style="list-style-type: none"> Certain Grants-in-Aid (₹5.09 crore) were classified under Capital section in contravention of the accounting standards. Detailed information regarding Grants-in-Aid, was not disclosed by the State Government.
3	IGAS 3: <i>Loans and Advances made by Governments</i>	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 with (Statement 7 and Statement 18 of Finance Accounts)	Details of loans given were not confirmed by State Government/ some Loan entities.

Source: Indian Government Accounting Standards and Finance Accounts

Non-compliance with the Accounting Standards affects fiscal transparency and hinders true and fair representation of finances.

4.12 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’s (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 the CAG before 30 June every year. Out of 31, only two²⁰ ABs have submitted their accounts up to 2022-23.

Table 4.10: Age-wise details of delay in submission of Annual Accounts of Autonomous Bodies

Sl. No	Delay in Number of Years	No. of Bodies/ Authorities
1	1	6
2	2-5	10
3	6-10	10
4	11-16	3
Total		29

The remaining 29 ABs have not submitted their Annual Accounts. There were delays ranging from one to sixteen years in submission of Accounts (*Table 4.10*).

- Out of the 29 ABs whose annual accounts are in arrears (*Appendix 4.10*), 10 ABs were Legal Services Authorities. Out of these, District Legal Services Authority Warangal, District Legal Services Authority, Adilabad and Telangana State Legal Services Authority Hyderabad have not submitted their annual account for seven, six and five years respectively.
- Integrated Tribal Development Agencies (ITDAs) of Eturunagaram, Utnoor and Bhadrachalam have not submitted their Annual Accounts for 16, 14 and 13 years respectively.
- In respect of 11²¹ ABs, Audit could not be taken up at all due to non-receipt of Annual accounts despite entrustment of audit by State Government.
- Out of 29 ABs, six ABs have not entrusted audit of accounts to the CAG. Out of these, Telangana Vaidya Vidhana Parishad (TVVP) and Telangana State Khadi and Village Industries Board (TSKVIB) have not entrusted audit of their accounts from 2019-20 and 2020-21 onwards respectively, despite receipt of Grants amounting to ₹2,824 crore from 2019-20 to 2022-23 and ₹13 crore from 2020-21 to 2022-23 respectively. Similarly, four²² ABs have not entrusted audit of their accounts from 2022-23 onwards.
- Annual Accounts of Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) were in arrears for three years from 2020-21. Despite the delay in submission of accounts by the HMWSSB, the State Government continued to provide Loans and Guarantees to the HMWSSB. State Government has provided Loans of

²⁰ (i) District Legal Services Authority, Nizamabad, and (ii) District Legal Services Authority, Medak

²¹ (i) Integrated Tribal Development Agency, Eturunagaram, (ii) Integrated Tribal Development Agency, Bhadrachalam, (iii) Integrated Tribal Development Agency, Plain Areas, Telangana, Hyderabad, (iv) Integrated Tribal Development Agency, Utnoor (v) Satavahana Urban Development Authority, Karimnagar (vi) Stambhadri Urban Development Authority, Khammam, (vii) Nizamabad Urban Development Authority, (viii) Siddipet Urban Development Authority (ix) Kakatiya Urban Development Authority, (x) Telangana State Khadi and Village Industries Board, and (xi) Telangana Vaidya Vidhana Parishad

²² (i) Stambhadri Urban Development Authority, (ii) Satavahana Urban Development Authority, (iii) Nizamabad Urban Development Authority and (iv) Siddipet Urban Development Authority

₹1,450 crore to HMWSSB during 2022-23 and their total loans stand at ₹10,338 crore as of March 2023. Further, State Government provided Guarantees worth ₹2,567 crore to HMWSSB as of March 2023.

Delay in submission of Annual Accounts dilutes accountability of the entities. State Government may ensure that the Autonomous Bodies receiving Loans, Guarantees or Grants prepare and submit their annual accounts timely, and that financial statements submitted by them are showing true and fair financial position. In particular, the Government may ensure that HMWSSB submits its annual accounts on priority as huge amounts have been provided to it as Loans and Guarantees.

4.13 Non-submission of details of Grants / Loans given to Bodies and Authorities

In order 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 and / or 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 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 2022-23, five²³ departments furnished information regarding the bodies and authorities to which grants and/or loans were provided. In response to specific request by Audit, 53 Corporations / Bodies (*Appendix 4.11*) have furnished the information. Information from other Corporations/ Bodies / Departments was not received (August 2023). In the absence of such information, we could not ascertain entities auditable under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971.

4.14 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 the Public Accounts Committee, duly indicating action taken or proposed to be taken. The 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.

²³ (i) Department of Agriculture, (ii) Department of Animal Husbandry, Dairy Development and Fisheries, (iii) Industries and Commerce Department, (iv) Forest Department, and (v) Roads and Buildings Department

Out of 209 Explanatory Notes (EN) to be received in respect of 183 Audit paras from 19 Departments pertaining to State Finances Audit Reports for the years 2014-15 to 2020-21, 178 ENs were furnished to Audit (August 2023). 31 ENs in respect of 23 Audit paras pertaining to 11 Departments were yet to be furnished (August 2023). Details are given in *Appendix 4.12*.

4.15 Conclusion

Government did not discharge its interest liability in respect of interest-bearing Reserve Funds and Deposits.

During 2022-23, there were neither receipts nor payments in 71 Personal Deposit Accounts, indicating their non-operation during the year.

The use of omnibus Minor Head-800 has increased during the year when compared to the previous year. Huge receipts were booked as 'Other Receipts' at all lower levels, particularly in the month of March by PAO, Hyderabad Urban, making it difficult to assess the nature or source of the receipts and thus rendering the accounts opaque.

Autonomous Bodies are functioning without submitting their accounts for longer periods, whilst the State Government also supports them with grants, loans and guarantees.

4.16 Recommendations

- (i) *State Government may ensure that funds eligible to the local Governments agencies are made available to them for timely use on priority basis.*
- (ii) *State Government may review and close Personal Deposit Accounts which are not in use.*
- (iii) *State Government may consider release of grants/ loans or extension of guarantees to Autonomous Bodies and State Public Sector Undertakings based on timely submission of accounts.*