



**Report of the
Comptroller and Auditor General of India
State Finances Audit Report
for the year ended 31 March 2022**



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Telangana
Report No. 2 of 2023

**Report of the
Comptroller and Auditor General of India**

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Government of Telangana

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Table of Contents

Paragraph title	Paragraph No.	Page No.
<i>Preface</i>		vii
<i>Executive Summary</i>		ix
Chapter – 1 Overview		
Profile of the State	1.1	1
Basis and approach to State Finances Audit Report	1.2	3
Structure of State Finances Audit Report	1.3	4
Overview of Government Accounts Structure	1.4	5
Budgetary Process	1.5	7
Fiscal Balance: Achievement of Deficit and total Debt targets	1.6	11
Deficits and Total Debt after examination in Audit	1.7	14
Chapter – 2 Finances of the State		
Introduction	2.1	17
Major changes in Key fiscal aggregates vis-à-vis 2020-21	2.2	17
Sources and Application of Funds	2.3	18
Resources of the State	2.4	19
Application of Resources	2.5	31
Public Account	2.6	52
Debt Management	2.7	55
Apportionment of Assets and Liabilities between Andhra Pradesh and Telangana	2.8	73
Conclusion	2.9	74
Recommendations	2.10	75
Chapter – 3 Budgetary Management		
Introduction	3.1	77
Budget preparation process	3.2	77
Appropriation Accounts	3.3	84
Integrity of budgetary and accounting process	3.4	88
Effectiveness of budgetary and accounting process	3.5	105
Conclusion	3.6	112
Recommendations	3.7	113

Paragraph title	Paragraph No.	Page No.
Chapter – 4 Quality of Accounts and Financial Reporting Practices		
Introduction	4.1	115
Funds outside Government Accounts	4.2	115
Non-discharge of interest liability in respect of interest bearing Reserve Funds and Deposits	4.3	117
Funds transferred directly to State Implementing Agencies	4.4	118
Deposits of Local Funds	4.5	120
Delay in submission of Utilisation Certificates	4.6	121
Abstract Contingent Bills	4.7	123
Personal Deposit Accounts	4.8	124
Opaqueness in Accounts	4.9	125
Outstanding balances under Suspense and DDR Heads	4.10	129
Reconciliation of Accounts	4.11	130
Reconciliation of Cash Balances	4.12	132
Compliance with Indian Government Accounting Standards	4.13	132
Submission of Accounts / Separate Audit Reports of Autonomous Bodies	4.14	133
Non-submission of details of Grants / Loans given to Bodies and Authorities	4.15	134
Follow up action on State Finances Audit Reports	4.16	134
Conclusion	4.17	135
Recommendations	4.18	135
Chapter – 5 Financial Performance of State Public Sector Undertakings (SPSUs)		
Introduction	5.1	137
Mandate of Audit	5.2	137
Number of PSUs and status of accounts	5.3	138
Contribution of PSUs to the Economy of the State	5.4	139
Investment in PSUs and Budgetary Support	5.5	140
Returns from the PSUs	5.6	144
Losses incurred by PSUs	5.7	145
Debt Servicing	5.8	146
Operating Efficiency of PSUs	5.9	149
Sales and Marketing	5.10	152
Appointment of Statutory Auditors of PSUs by CAG	5.11	153
Submission of Accounts by PSUs	5.12	153

Paragraph title	Paragraph No.	Page No.
CAG's oversight – Audit of accounts and supplementary audit	5.13	155
Result of CAG's oversight	5.14	156
Non-compliance with provisions of Accounting Standards/ Ind AS	5.15	159
Management Letters	5.16	159
Conclusion	5.17	160
Recommendations	5.18	161

Appendices

Appendix No.	Appendix title	Reference to Paragraph	Page No.
1.1	Profile of Telangana	1.1	163
1.2	Time Series Data on State Government Finances	1.5.1	164
2.1	Funds provided (in the form of loans) to various Institutions by Government for payment of interest/repayment of loans	2.5.3.3	168
2.2	List of entities which informed borrowings on behalf of the Government during the Financial year 2021-22 and to end of March 2022	2.7.2	169
2.3	List of entities which informed Borrowings on behalf of State Government in previous year(s), but informed 'nil' borrowing on behalf of the Government in the current year and to the end of 31 March 2022	2.7.2	171
3.1	Excess expenditure against amounts authorised by the Legislature during the year 2021-22	3.4.2.1	173
3.2	Excess expenditure relating to Previous years requiring regularisation	3.4.2.2	174
3.3	Grants with savings of more than ₹1,000 crore	3.4.3	179
4.1	Year-wise pendency of AC bills	4.7	180
4.2	Department-wise pendency of AC bills	4.7	181
4.3	Cases where entire Receipts were booked under omnibus Minor Head - 800 in 2021-22	4.9	182
4.4	Cases where more than 50 per cent of Receipts were booked under omnibus Minor Head - 800 for the year 2021-22	4.9	182
4.5	Cases where more than 50 per cent of Expenditure was booked under omnibus Minor Head - 800 for the year 2021-22	4.9	183
4.6	List of Major Heads in which receipts of ₹100 crore and above are not reconciled	4.11	183
4.7	List of CCOs who have not reconciled expenditure of ₹100 crore and above	4.11	184
4.8	List of Autonomous Bodies whose accounts are in arrears	4.14	185
4.9	List of Corporations/Bodies have furnished the information regarding receipts of Grants/Loans	4.15	186
4.10	Department-wise status of receipt of Explanatory Notes	4.16	187
5.1	Statement showing list of Public Sector Undertakings (PSUs) of Telangana under audit jurisdiction of CAG and status of their annual accounts	5.3, 5.5.1	188

Appendix No.	Appendix title	Reference to Paragraph	Page No.
5.2	Statement showing the Budgetary support provided to PSUs during the years 2019-20 to 2021-22	5.5.1, 5.5.3	191
5.3	Statement showing list of PSUs having Negative Net Worth as on 31 March 2022	5.7.2	194
5.4	Statement showing Return on Equity of PSUs as on 31 March 2022	5.9.1.1	195
5.5	Statement showing Return on Capital Employed of PSUs as on 31 March 2022	5.9.1.2	198
5.6	Rate of Real Return on Investment on historical cost basis	5.9.1.3 (a)	202
5.7	Rate of Real Return on the basis of the Present Value of Investment	5.9.1.3 (b)	203
5.8	Statement showing list of PSUs where Statutory Auditor's Report was revised	5.14.2	205
5.9	Statement showing list of PSUs where accounts comments were issued by the CAG	5.14.3	205
5.10	Statement showing list of PSUs which did not comply with Accounting Standards/ Indian Accounting Standards as reported by Statutory Auditor	5.15	206
5.11	Statement showing list of PSUs where Management Letters were issued	5.16	206

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 2022. 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 for the financial year 2021-22 is brought out to assess the financial performance of the State 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 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 ended 31 March 2022 and other data sources. 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 with respect to financial reporting practices such as prescribed financial rules, procedures and directives in terms of completeness, transparency, measurement and disclosure requirements are discussed.

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

2 Audit Findings

2.1 Overview - Fiscal position

During 2021-22, Gross Domestic Product of India as well as Gross State Domestic Product (GSDP) of Telangana registered higher growth rate than the previous year as the economy improved after a slowdown due to the Covid-19 pandemic.

Despite increased Revenue Receipts (26 per cent increase), the State failed to register a Revenue Surplus for a third consecutive year. The other two fiscal targets viz., ratios of Fiscal Deficit to GSDP and Total Outstanding Liabilities to GSDP were also not achieved by the State in 2021-22. The Revenue Deficit (₹9,335 crore) was understated by ₹1,157 crore due to non-discharge of interest liabilities, on account of certain misclassifications between Revenue and Capital expenditure and transfer of lapsed deposit amount to Revenue head. Non-discharge of interest liabilities also impacted the Fiscal Deficit (₹46,638 crore) which was understated by ₹182 crore.

Apart from its total liabilities of ₹3,14,663 crore, the State is also liable to pay principal and interest on account of its Off-Budget Borrowings (OBB) to an extent of ₹1,18,955 crore. Taking into consideration the OBB and other liabilities that are being

serviced out of the State Budget, the ratio of Debt to GSDP would be 37.77 per cent, which is 12.77 per cent higher than the set target of 25 per cent as per the TSFRBM Act. This is also 8.47 per cent above the norms of 29.30 per cent as prescribed by the XV Finance Commission.

(Chapter 1)

2.2 Finances of the State

Revenue Receipts of the State increased by ₹26,555 crore (26 per cent) while Revenue Expenditure increased by ₹13,592 crore (11 per cent) in 2021-22 over the previous year. State's Own Tax Revenue (₹91,271 crore) registered increases in Stamps and Registration, State Goods and Services Tax, Taxes on Sales, Trade etc., and State Excise. Non-Tax Revenue (₹8,858 crore) and Central Tax transfers (₹18,721 crore) also increased by 46 per cent and 48 per cent respectively when compared to preceding year.

Receipts in Non-tax Revenue included ₹400 crore and ₹600 crore from deposits lapsed in Public Account pertaining to Telangana Scheduled Castes Cooperative Development Corporation Limited (TSCCDCL) and Telangana Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR) respectively. This should have been classified as minus debit to the original service head i.e., Loans under Capital section. This led to overstatement of Revenue Receipts, understatement of Revenue Deficit and overstatement of assets under Loans.

Revenue Expenditure (₹1,36,804 crore) has increased by 11 per cent during 2021-22. Committed expenditure constituted about 50 per cent of the Revenue Receipts (RR) and 46 per cent of Revenue Expenditure (RE) in 2021-22. As a percentage to RR, all the components of Committed Expenditure have decreased when compared to the previous year. As a percentage of RE, Salaries and Wages and interest payments have taken major shares while expenditure on pension decreased. Overall, committed expenditure component increased in RE.

The State has been persistently trailing in respect of expenditure on Education and Health sectors. As a percentage to total expenditure, expenditure on Education and Health was eight per cent and four per cent respectively.

Capital Expenditure (₹28,874 crore) was significantly higher by 81 per cent in comparison to previous year. Huge capital expenditure of ₹1,09,612 crore was incurred cumulatively (as of March 2022) on incomplete irrigation projects. However, some investments and loans advanced during the year related to servicing of Off-Budget Borrowings of the Government. Loans and Advances given during the year (₹8,469 crore) have decreased in comparison to previous year (₹10,868 crore). Out of ₹8,469 crore, an amount of ₹7,338 crore was provided to institutions towards interest payments/principal repayments towards loans taken for implementing Government schemes.

State did not make statutory contributions of ₹1,378 crore, ₹676 crore and ₹96 crore to Consolidated Sinking Fund, Guarantee Redemption Fund and State Disaster Mitigation Fund respectively.

Though the State was disclosing the quantum of Guarantees given to institutions in the Budget documents, to a certain extent, it did not disclose its Off-Budget Borrowings of ₹1,18,955 crore to be serviced from out its resources. This would impact the Debt to Gross State Domestic Product ratio.

Major portion of OBB (₹66,854 crore) belongs to Kaleshwaram Irrigation Project Corporation Limited (KIPCL). The maximum repayment spread period of OBBs is 14 years and future liability on Kaleshwaram Project towards debt servicing would work out to ₹1,41,545 crore for next 14 years. In view of the confirmation by KIPCL that it had borrowed on behalf of the State Government and as the Detailed Project Report of the Kaleshwaram Project did not envisage any revenue streams, it is likely that the onus of bearing these huge liabilities would have to be borne by the State Government, which will constitute huge burden on State finances constraining state finances severely and capacity of State to have any developmental plans in near future.

As the State registered a Revenue Deficit, it had to finance Revenue Deficit from the Market Borrowings. The State Government will have to repay ₹2,52,048 crore as principal and interest on the Market borrowings by 2032-33 and this would put significant pressure on the Government finances.

There was no progress in apportionment of Assets and Liabilities between Andhra Pradesh and Telangana after 2018-19 indicating lack of emphasis on apportionment.

(Chapter 2)

2.3 Budgetary Management

Review of Budget components for Receipts revealed that Non-Tax Revenue and Grants-in-Aid were projected abnormally. Consequently, budget estimates for expenditure were also over-estimated, resulting in unspent provisions across several Grants.

The State Legislature approved Budget Estimates for ₹2,30,872 crore originally and supplemented it by ₹24,144 crore. The expenditure was ₹2,63,092 crore, resulting in net excess expenditure of ₹8,076 crore. Excluding the amount of Ways and Means Advances, which were taken for temporarily bridging the gap in finances, the expenditure is ₹1,95,818 crore. Hence, actual expenditure was only 77 per cent of the Budget Estimates.

Savings occurred in all parts of voted sections and excess expenditure was incurred in Revenue Charged and Public Debt Repayment sections. This indicated that the compulsory expenditure was under-estimated whereas the scheme expenditure was over-estimated. Similarly, budget for the administrative Grant like Fiscal Administration was under-estimated persistently, while welfare and development Grants were over-projected. As a result, excess expenditure occurred in Fiscal Administration Grant and savings occurred in welfare Grants, indicating shortfalls in expenditure on welfare schemes when compared to budget provisions.

There was an excess disbursement of ₹75,053 crore (including ₹67,174.40 crore on account of repayment of Ways and Means Advances from the Reserve Bank of India) over the authorisation made by the State Legislature under ten Grants and two

Appropriations during the financial year 2021-22. Excess disbursement of ₹2,14,062 crore pertaining to the years 2014-15 to 2020-21 is yet to be regularised by the State Legislature. This is in violation of the Articles 204 and 205 of the Constitution, which provides that no money shall be withdrawn from the consolidated fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

Excess expenditure occurred mainly on Service Pension Allocable to successor State of Telangana (₹5,046 crore), Telangana Dalit Bandhu (₹3,442), Post-bifurcation Service Pensions Allocable between the successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68 (₹2,006 crore), Family Pension allocable to successor State of Telangana (₹1,929 crore), and Interest on State Development Loans (₹1,785 crore).

Major savings were in Scheme for debt relief to farmers (₹4,462 crore), Construction of Two Bed Room Houses to the Rural Poor (₹4,270 crore), Construction of Two Bed Room Houses to the Urban Poor (₹4,035 crore) and Special Development Fund for welfare and development activities (₹3,898 crore). Expenditure on maintenance of Irrigation Projects continued to be low persistently.

Entire Provisions remained unspent in respect of Hyderabad Urban Agglomeration (₹2,600 crore), Two Bed Room Houses (₹2,320 crore) and Most Backward Classes Development Corporation (₹500 crore). Under 23 Sub-heads in 13 Grants, the entire Supplementary Provision of ₹577 crore approved by Legislature remained unutilised.

State launched a major policy viz., CM Dalit Empowerment Program (or Telangana Dalit Bandhu) with an original Budget provision of ₹1,000 crore. An expenditure of ₹4,442 crore was booked as per Appropriation Accounts. However, Audit found that actual expenditure was only ₹2,101 crore as of March 2022. Amounts of ₹1,335 crore and ₹223 crore were lying in the Deposit Account and Bank Account of Telangana Scheduled Caste Cooperative Development Corporation Limited and ₹783 crore were with District Administrators. Despite availability of funds, out of 38,511 applications received, only 21,339 applications were sanctioned as of March 2022.

(Chapter 3)

2.4 Quality of Accounts and Financial Reporting Practices

State created (February 2022) a new fund, viz., Haritha Nidhi, outside the Government account which may result expenditure without legislative oversight.

At the end of the year, funds were lying in the Single Nodal Agency Accounts (₹1,201 crore) and in State Compensatory Afforestation fund (₹105 crore) in Bank Accounts outside the Government Account.

Government did not discharge its interest liability over the funds lying in State Disaster Response Fund (₹86 crore) and State Compensatory Afforestation Fund (₹76 crore) and Defined Contribution Pension Scheme Deposits (₹20 crore) totalling to ₹182 crore.

Utilisation certificates (49 UCs amounting to ₹3,313 crore) were yet to be submitted by Municipal Administration and Urban Development Department in respect of the grants released for various schemes.

Out of the 59 Controlling Officers who were to reconcile Receipts with Principal Accountant General (Accounts and Entitlements), 28 have not reconciled and 12 reconciled partially. Out of the 198 Controlling Officers who were to reconcile expenditure, 25 have not reconciled and 84 reconciled partially.

Delayed submission of Annual Accounts by Government Companies and Autonomous Bodies dilutes accountability of the Government Entities and defeats the purpose of preparation of accounts. The State Government was yet to comply with Indian Government Accounting Standards.

(Chapter 4)

2.5 Financial Performance of State Public Sector Undertakings (SPSUs)

As on 31 March 2022, 83 State Public Sector Undertakings in Telangana (including 80 Government Companies and 3 Statutory Corporations) were under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Of the 83 SPSUs, 8 SPSUs relate to power sector and 75 relate to sectors other than power including one Government Company newly incorporated during the year 2021-22. Out of these SPSUs, 16 companies were inactive and either defunct or under liquidation.

As per their latest accounts and/ or information furnished by 39 out of 67 working SPSUs for 2021-22, 39 SPSUs registered an annual turnover of ₹1,19,079.10 crore, which was equal to 10.37 per cent of the Gross State Domestic Product of Telangana State during 2021-22. As on 31 March 2022, the investment of the Central and State Governments and Others in equity and long-term loans in these 39 SPSUs was ₹1,26,303.70 crore. During the year 2021-22, the State Government provided budgetary support of ₹11,473.47 crore to 17 SPSUs. Out of the 39 working SPSUs, 17 SPSUs earned profits (₹1,955.83 crore), 18 SPSUs incurred losses (₹4,065.25 crore) and four SPSUs had reported nil profit or loss.

Major profit making SPSUs during the year 2021-22 were the Singareni Collieries Company Limited (₹1,227.04 crore), Telangana State Power Generation Corporation Limited (₹394.46 crore), Transmission Corporation of Telangana Limited (₹86.27 crore) and Telangana State Warehousing Corporation (₹109.21 crore). These profits were off-set by the losses incurred by Southern Power Distribution Company of Telangana Limited (₹626.80 crore), Northern Power Distribution Company of Telangana Limited (₹204.03 crore), Telangana State Road Transport Corporation (₹1,986.59 crore), Telangana State Housing Corporation Limited (₹817.16 crore) and Telangana Rajiv Swagruha Corporation Limited (₹324.23 crore).

As on 31 March 2022, the accumulated losses of 39 SPSUs were at ₹56,613.77 crore. As a result of losses, the combined net worth of 39 SPSUs was completely eroded and stood at (-)₹35,008.30 crore as on 31 March 2022.

Out of 67 working SPSUs, Financial Statements for the year 2021-22 were received only from 12 SPSUs in time. Fifty-one SPSUs have defaulted in timely submission of accounts. Of these, 32 SPSUs accounts were due for more than three years and 11 SPSUs have not submitted their first accounts since their incorporation. Non-submission of Annual accounts by these PSUs is amounting to violation of provisions of the Companies Act.

As a result of CAG audit, statutory auditors of eight SPSUs revised their Audit Report. In addition, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹284.97 crore and assets/ liabilities by ₹4,927.15 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 13 SPSUs through 'Management Letter' for taking corrective action.

(Chapter 5)



Chapter 1
Overview

1.1 Profile of the State

Telangana is the 11th largest State in the country in terms of area and 12th largest in terms of population. The per capita income¹ of Telangana at current prices was ₹2,78,833 in 2021-22, which was 1.86 times of all India average of ₹1,50,007. General and financial data relating to Telangana is given in *Appendix 1.1*.

1.1.1 Gross State Domestic Product of Telangana

Gross State Domestic Product (GSDP) is the value of all goods and services produced within the boundaries of the State in a specific period of time. Growth of GSDP is an important economic indicator denoting the level of economic development over a period. Changes in sectoral contribution to the GSDP represent the changing structure of the State economy. Trends in annual growth of GSDP² *vis-à-vis* Gross Domestic Product (GDP)³ of the country are given in *Table 1.1*.

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

Year	2017-18	2018-19 (TRE)	2019-20 (SRE)	2020-21 (FRE)	2021-22 (AE)
GDP (2011-12 Series) (₹ in crore)	1,70,90,042	1,88,99,668	2,00,74,856	1,98,00,914	2,36,64,637
Growth rate of GDP over previous year (in per cent)	11	11	6	(-1)	19
GSDP (2011-12 Series) (₹ in crore)	7,50,050	8,57,427	9,50,287	9,61,800	11,48,115
Growth rate of GSDP over previous year (in per cent)	14	14	11	1	19

Source of data: Ministry of Statistics and Programme Implementation

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

During 2021-22, both Telangana's GSDP and India's GDP have registered higher growth rate when compared to 2020-21 as the economy has recovered positively after a slow down due to Covid-19 pandemic. While the country's Compounded Annual Growth Rate (CAGR) over the last five years was 9 per cent, Telangana has registered a CAGR of 12 per cent. The GSDP generated from economic activities is generally classified into Primary⁴, Secondary⁵ and Tertiary⁶ Sectors, broadly corresponding to Agriculture, Industry and Services respectively. The sectoral contribution to GDP and GSDP of the State during

¹ As per Socio Economic Outlook 2022 (prepared by Directorate 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.

² Gross State Domestic Product is adopted at current prices throughout this Report

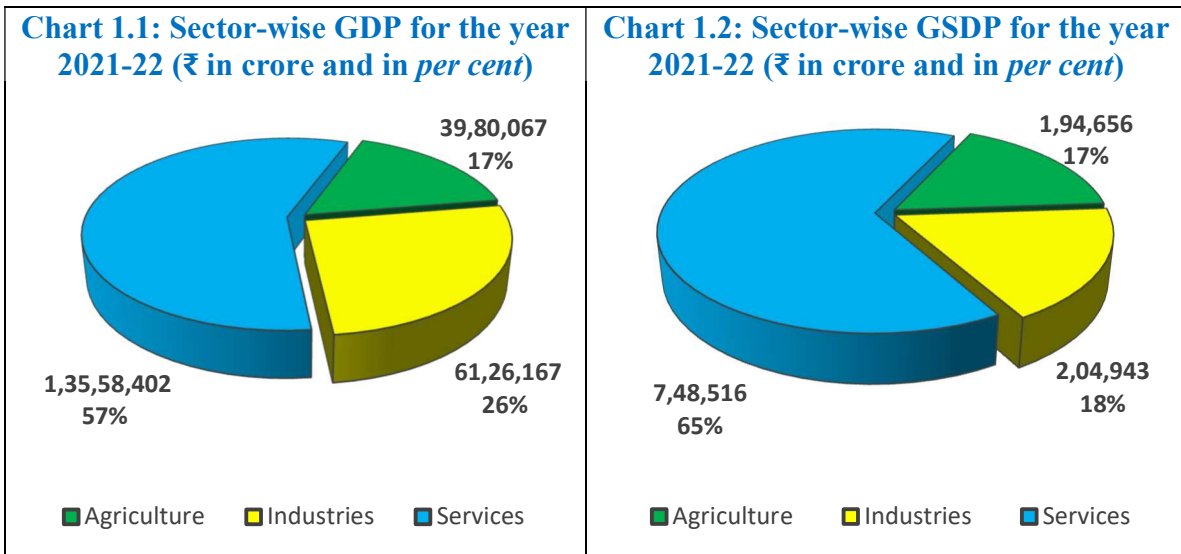
³ Gross Domestic Product is adopted at current prices throughout this Report

⁴ Primary Sector includes Crops, Livestock, Forestry and Logging, Fishing and Aquaculture and Mining and Quarrying

⁵ Secondary Sector includes Manufacturing, Electricity, Gas, Water Supply and Other utility services and Construction

⁶ 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.

2021-22 are given in **Charts 1.1** and **1.2**. Manufacturing and Services sectors, which were hit the hardest because of the pandemic in 2020-21, have recovered in 2021-22.



Source: Data of Ministry of Statistics and Programme Implementation for GDP, and for GSDP, information furnished by Director of Economics and Statistics, Telangana.

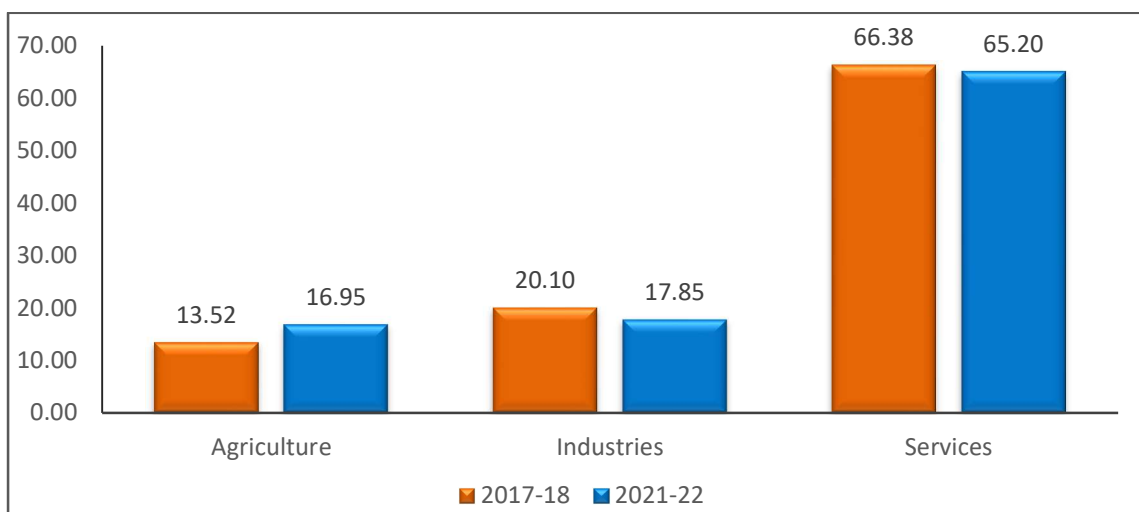
Note 1: Services sector in all the charts includes taxes and subsidies on products of all sectors

Note 2: Agriculture sector in all the charts in this chapter include Crops, Livestock, Forestry and Logging, Fishing and Aquaculture

Under Agriculture sector, the major share was from ‘Livestock’ and ‘Crops’ which contributed nearly eight *per cent* each respectively to GSDP. Under Industries sector, ‘Manufacturing’ was the main contributor to GSDP with 11 *per cent*. The major share of Services sector in GSDP was from ‘Real Estate, ownership of dwellings and professional services’ with 19 *per cent* followed by ‘Trade and repair services’ with 15 *per cent*.

Change in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The change in sectoral contribution to GSDP in 2021-22 when compared to 2017-18 is shown in **Chart 1.3**.

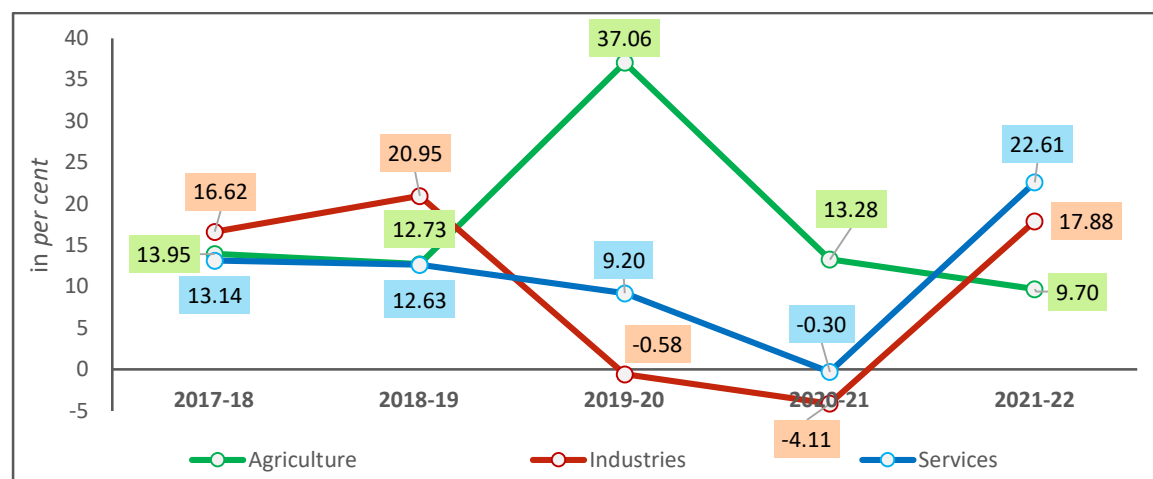
Chart 1.3: Changes in sectoral contribution to GSDP (2017-18 vis-à-vis 2021-22)



Source: Directorate of Economics and Statistics, Government of Telangana, both years Services sector includes taxes and subsidies on products.

The share of Agriculture sector in GSDP for 2021-22 was more than three *percentage* points higher than 2017-18. The increase in the share of Agriculture sector was mainly on account of Livestock (which increased from ₹46,595 crore in 2017-18 to ₹93,599 crore in 2021-22) and Crops (which increased from ₹47,457 crore in 2017-18 to ₹87,381 crore in 2021-22), both of which have increased by 101 *per cent* and 84 *per cent* respectively. Individual sectoral growth in GSDP is shown in **Chart 1.4**.

Chart 1.4: Sectoral growth rates of GSDP



Source: Directorate of Economics and Statistics, Government of Telangana

Agriculture sector which grew at 14 *per cent* in 2017-18 registered a growth rate of 10 *per cent* in 2021-22. Growth rates of Industries and Services sectors, which have declined in 2019-20 and 2020-21, significantly grew in 2021-22. While manufacturing and construction segments gave a major impetus to the growth rate of Industries sector, Trade and repair services, Real estate, Ownership of dwelling and professional services, financial services and other services, etc., registered significant growth rates under Services sector.

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 the Principal 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 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 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 2022 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 2021-22 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	<i>This Chapter describes the basis and approach to the Report and the underlying data and 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.</i>
Chapter - 2 Finances of the State	<i>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 2017-18 to 2021-22, Debt profile of the State and key Public Account transactions.</i>
Chapter - 3 Budgetary Management	<i>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.</i>
Chapter - 4 Quality of Accounts and Financial Reporting Practices	<i>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.</i>

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 the 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:

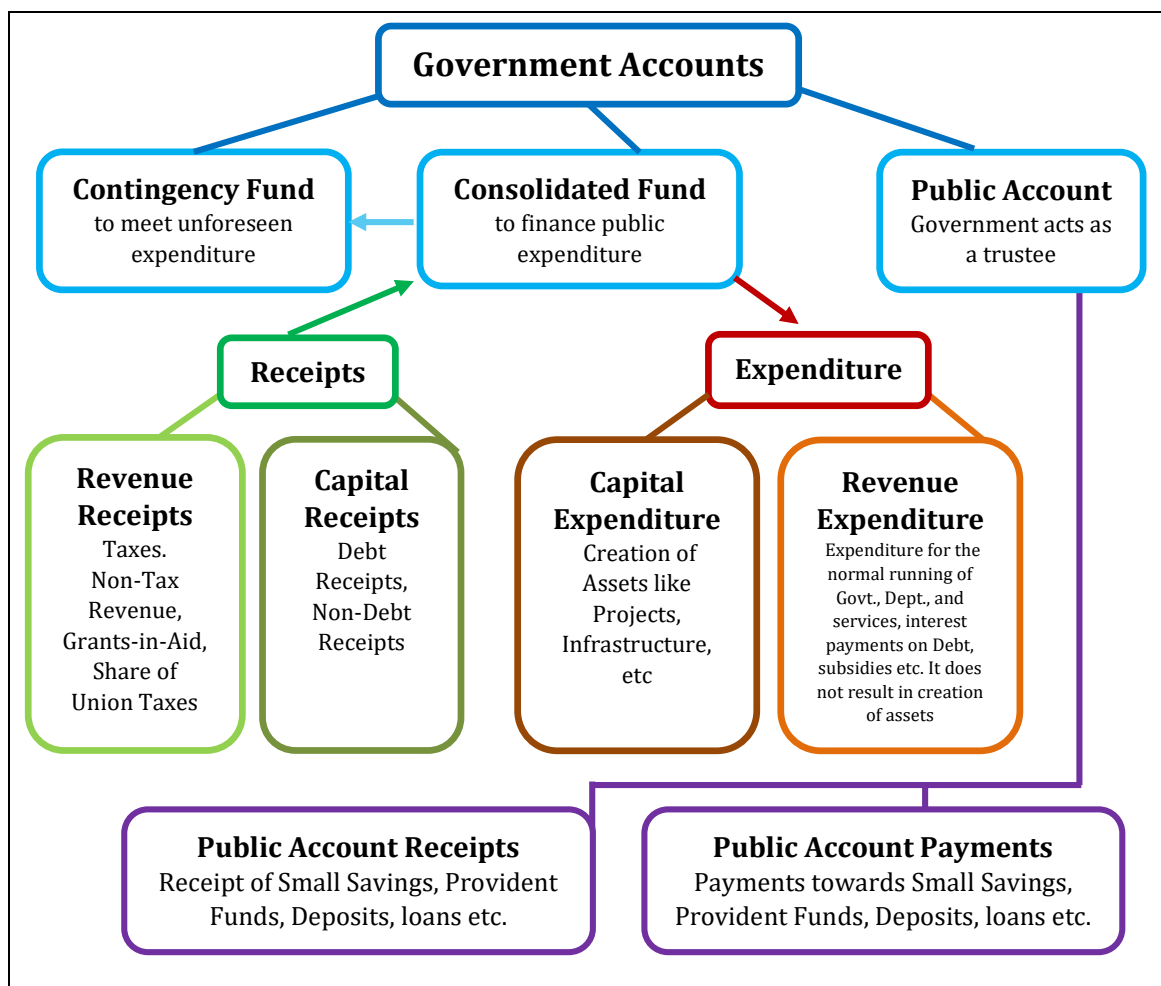
Debt receipts: Market Loans, Bonds, Loans from financial institutions, Net transactions under Ways and Means Advances, Loans and Advances from Central Government, etc.;

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 1.5*.

Chart 1.5: 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, <i>etc.</i> , 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, <i>etc.</i> (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 several 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 2021-22, 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, 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 State.

Special Development Fund: Consequent to enactment of Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilisation 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*)/Scheduled 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 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 2021-22 in comparison to actuals for the year 2020-21. Time series data of Government Finances for the years 2017-22 are given in *Appendix 1.2*.

Table 1.4: Snapshot of Finances

Sl. No.	Components	2020-21 Actuals (₹ in crore)	2021-22 Budget Estimates (BE) (₹ in crore)	2021-22 Actuals (₹ in crore)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	Tax Revenue					
	(i) Own Tax Revenue	66,650	92,910	91,271	98	8
	(ii) Share of Union taxes/duties ^(a)	12,692	13,990	18,721	134	2
2	Non-Tax Revenue	6,101	30,557	8,858	29	1
3	Grants-in-Aid and Contributions	15,471	38,669	8,619	22	1
4	Revenue Receipts (1+2+3)	1,00,914	1,76,126	1,27,469	72	11
5	Recovery of Loans and Advances	58	50	48	96	--
6	Other Receipts	--	--	--	--	--
7	Borrowings and other Liabilities ^(b)	49,038 ⁷	45,510	46,638 ⁸	102	4
8	Capital Receipts (5+6+7)	49,096	45,560	46,686	102	4
9	Total Receipts (4+8)	1,50,010	2,21,686	1,74,155	79	15
10	Revenue Expenditure	1,23,212	1,69,383	1,36,804	81	12
11	Interest payments in Revenue Expenditure	16,841	17,584	19,161	109	2
12	Capital Expenditure	15,922	29,047	28,874	99	3
13	Loan and advances	10,868	23,256	8,469	36	1
14	Inter-State Settlements	8	0	8	--	--
15	Total Expenditure (10+12+13+14)	1,50,010	2,21,686	174,155	79	15
16	Revenue Surplus (+) / Deficit (-) (4-10)	(-22,298)	6,743	(-9,335)	(-138)	(-1)
17	Fiscal Deficit {(4+5+6)-15}	(-49,038)	(-45,510)	(-46,638)	102	4
18	Primary Deficit (17-11)	(-32,197)	(-27,926)	(-27,477)	98	2

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

The State Government estimated its Revenue Receipts higher by 75 per cent than what was received last year. Revenue Receipts realised were 28 per cent less than estimates this year. The gap between Budget Estimates and actual Revenue Receipts in 2021-22 was ₹48,657 crore. Consequently, the Government had to curtail its expenditure plans, which was not commensurate with the shortfall in Revenue Receipts. As a result, the State registered a Revenue Deficit instead of a Revenue surplus. Interest payments have increased by ₹1,577 crore as against the Budget Estimates in 2021-22 and by ₹2,320 crore over the previous year.

When compared to Budget estimates, the total expenditure for the year was less by 21 per cent and Fiscal Deficit was higher by 2 per cent.

⁷ includes back-to-back loans of ₹2,380 crore received from GoI in lieu of GST compensation shortfall

⁸ includes back-to-back loans of ₹4,569 crore received from GoI in lieu of GST compensation shortfall

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				
		2020-21 (₹ in crore)	2021-22 (₹ in crore)	per cent increase (+) / decrease (-)			per cent increase (+) / decrease (-)		
		2020-21 (₹ in crore)	2021-22 (₹ in crore)	per cent increase (+) / decrease (-)	2020-21 (₹ in crore)	2021-22 (₹ in crore)	per cent increase (+) / decrease (-)		
Consolidated Fund									
A	Internal Debt	2,24,379	2,63,041	17	a	Gross Capital Expenditure	1,34,657	1,63,531	21
B	Loans and Advances from GoI	10,174*	14,448*	42	b	Loans and Advances	43,957	52,379	19
Contingency Fund		50	50	0			0	0.05	0
Public Account									
A	Small Savings, Provident Funds, etc.	11,845	12,912	9	a	Advances	(-)23	(-)23	0
B	Deposits	26,201	27,424	5	b	Remittance	...	...	...
C	Reserve Funds	12,816	11,762	(-)8	c	Suspense and Miscellaneous	...	...	...
D	Remittances	106	723	582	Cash Balance (including investment in Earmarked Fund)		9,193	8,095	(-)12
E	Suspense and Miscellaneous Balances	266	1,018	283	Total		1,87,784	2,23,982	19
					Deficit in Revenue Account		98,053	1,07,396	10
Grand Total		2,85,837	3,31,378	16	Grand Total		2,85,837	3,31,378	16

Source: Finance Accounts

* The figures ₹10,174 crore and ₹14,448 crore include ₹2,380 crore and ₹6,949 crore of back-to-back loans received from GoI in lieu of GST compensation shortfall during 2020-21 and 2021-22 respectively.

In 2021-22, the Gross Capital Expenditure and Internal Debt increased by ₹28,874 crore (21 per cent) and ₹38,662 crore (17 per cent) respectively, as compared to previous year. There is an overall increase of ₹9,343 crore (9 per cent) in Revenue Account deficit and a variation of 32 per cent in Government's Assets and Liabilities.

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. This Act was adapted by the 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 2017-18 to 2021-22 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				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus to be achieved during each year	3,459	4,337	(-)6,254	(-)22,298	(-)9,335
		✓	✓	✗	✗	✗
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	For 2017-18: 3.50 per cent	(-)3.56 per cent	(-)3.13 per cent	(-)3.17 per cent + ₹1,435 crore	(-)5.10 per cent	(-)4.06 per cent
	For 2018-19: 3.25 per cent					
	For 2019-20: 3.25 per cent + ₹1,435 crore*					
	For 2020-21: 4.75 per cent [#]					
	For 2021-22: 4 per cent	✗	✓	✓	✗	✗
Ratio of Total Outstanding Liabilities to GSDP (in per cent)	25 per cent	22.11	22.97	24.43	28.66 ⁹	27.41 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)

The purpose of GST compensation is to compensate States for loss of revenue arising on account of implementation of GST. During the year 2021-22, the State Government has received GST compensation of ₹2,006 crore as GIA from the GoI. Besides, State Government has also received a back-to-back loan of ₹4,569 crore from GoI in lieu of

⁹ excludes ₹2,380 crore back-to-back loans received from GoI in lieu of GST compensation shortfall during 2020-21

¹⁰ excludes ₹6,949 crore of back-to-back loans received from GoI in lieu of GST compensation shortfall to the end of March 2022

shortfall in GST compensation. This is to be serviced from cess collected in Compensation Fund with no repayment obligation on the State resources. The revenue deficit of ₹9,335 crore and fiscal deficit of ₹46,638 crore of the State Government as depicted in the Finance Accounts 2021-22 should therefore, be read in conjunction with GST compensation of ₹4,569 crore received from GoI as back-to-back loan which has no repayment obligation on the State. Thus, Revenue deficit and fiscal deficit effectively works out to be as ₹4,766 crore and ₹42,069 crore respectively.

The State could not achieve any of the above three targets for the second consecutive year since its formation in June 2014. In fact, it failed to achieve a Revenue surplus for a third consecutive year. Further, even the achievement of the above targets in earlier years as depicted in the accounts have to be seen in the context of certain misclassifications.

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 2022), in which the rolling targets for three years were mentioned. The achievement of these rolling targets was discussed in *paragraph 1.6.1* above.

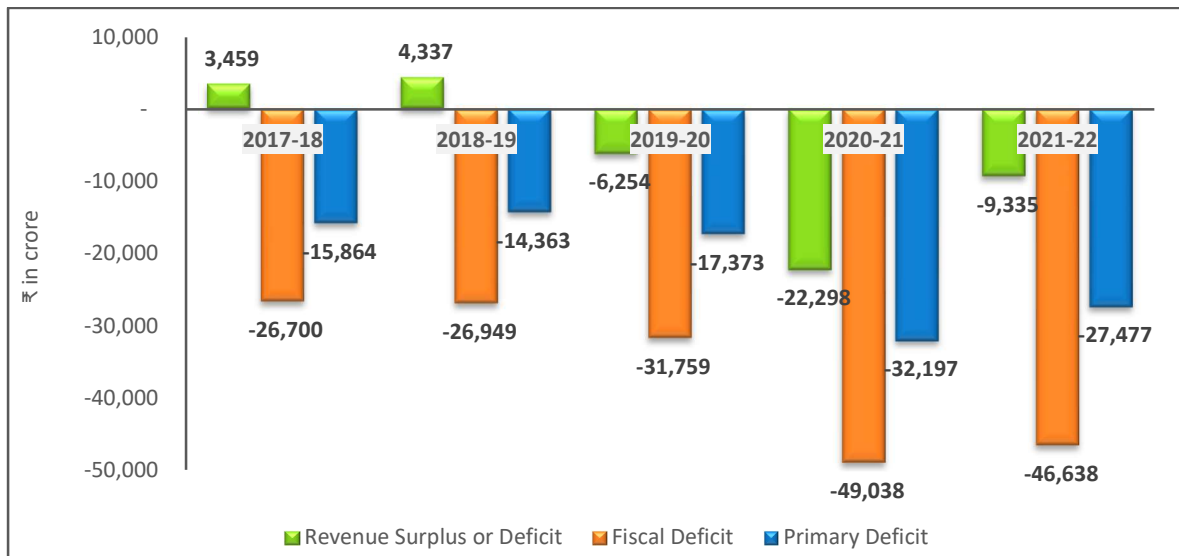
The Medium-Term Fiscal Policy Statement shall include the various assumptions behind the fiscal indicators and an assessment of sustainability relating to (i) the balance between revenue receipts and revenue expenditure, (ii) the use of capital receipts including borrowings for generating productive assets and (iii) estimated yearly pension liabilities 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 1.6* and *Chart 1.7*.

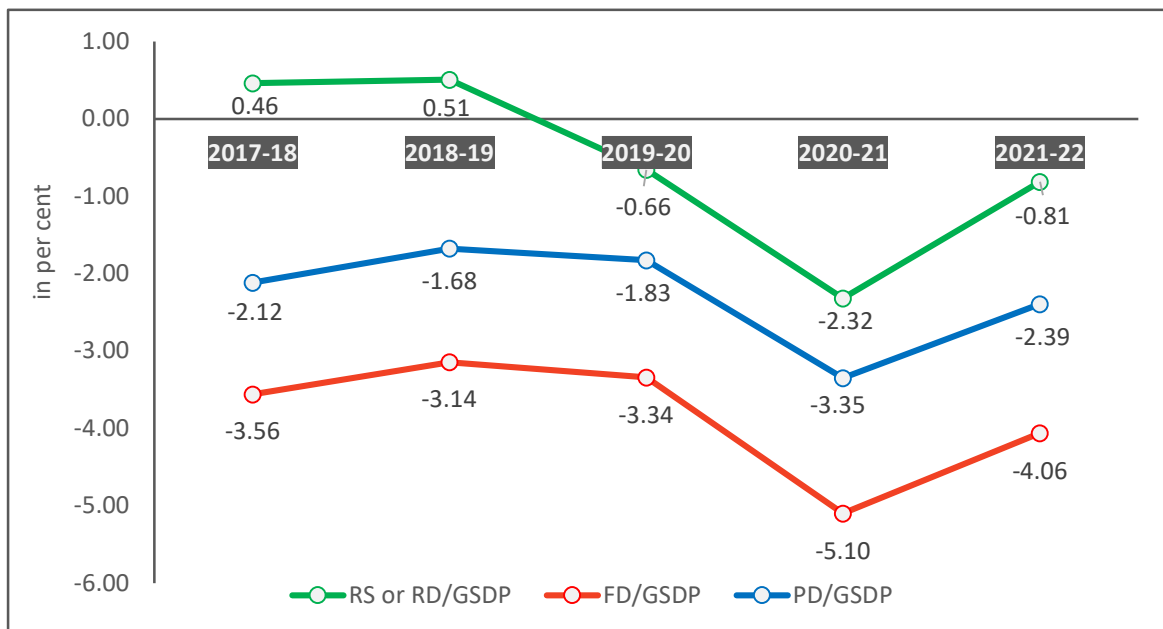
Chart 1.6: Trends of Surplus / Deficit parameters



Source: Finance Accounts

The State registered a Revenue Deficit of ₹9,335 crore in 2021-22. The Revenue Deficit has decreased by ₹12,963 crore in comparison to previous year (₹22,298 crore). Fiscal Deficit (₹46,638 crore) and Primary Deficit (₹27,477 crore) have also decreased by ₹2,400 crore and ₹4,720 crore respectively.

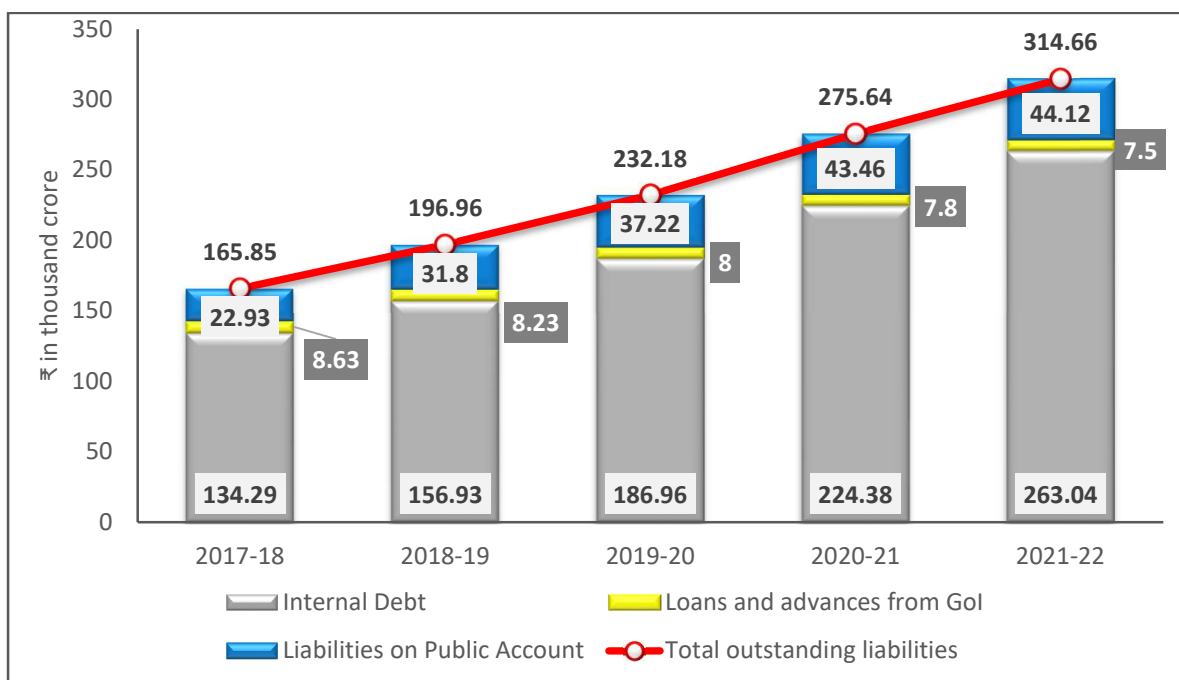
Chart 1.7: Surplus / Deficit parameters relative to GSDP



Source: Finance Accounts

The State's performance in respect of all three key fiscal parameters has improved when compared to the previous year. However, it is below the FRBM targets as mentioned in **Table 1.6**. The trend of fiscal liabilities during the five-year period 2017-18 to 2021-22 is shown in **Chart 1.8**.

Chart 1.8: Trend of Fiscal Liabilities



Source: Finance Accounts

Note: The figures of ₹275.64 thousand crore and ₹7.80 thousand crore in 2020-21, figures ₹314.66 thousand crore and ₹7.50 thousand crore in 2021-22 exclude ₹2,380 crore and ₹4,569 crore of back-to-back loans in lieu of GST compensation shortfall respectively. 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 increased by 90 per cent from 2017-18 to 2021-22. Contributing to the increase is Internal Debt (96 per cent increase from 2017-18 to 2021-22) and Liabilities on Public Account (92 per cent increase from 2017-18 to 2021-22). Loans and Advances from Government of India have decreased by 4 per cent in 2021-22.

1.7 Deficits and Total Debt 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. These have been brought out in the State Finances Audit Reports of the Comptroller and Auditor General of India for the previous years¹¹. To arrive at actual deficit figures for the current year, the impact has been re-computed as detailed in **Table 1.7**.

¹¹ previous year(s) SFAR can be accessed at <https://cag.gov.in/ag/tehangana>

Table 1.7: 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	182	182	4.3
Misclassification			
(i) Revenue classified as Capital ¹³	43		3.4.9.1
(ii) Capital classified as Revenue ¹⁴	(-)68	--	3.4.9.2
(iii) Transfer from Deposit Accounts to Revenue head ¹⁵	1,000	--	2.4.1.1 (ii)
Total	1,157	182	

Source: Finance Accounts and audit analysis

As a result, the Revenue and Fiscal Deficits were understated by ₹1,157 crore and ₹182 crore respectively.

Effectively, there was a Revenue Deficit of ₹10,492 crore (₹9,335 crore + ₹1,157 crore) and Fiscal Deficit of ₹46,820 crore (₹46,638 crore + ₹182 crore). Therefore, the Fiscal Deficit would be 4.08 per cent of GSDP.

Apart from its liabilities of ₹3,14,663 crore¹⁶, the State Government is also liable to pay the principal and interest on account of its Off-Budget Borrowings (OBB) to an extent of ₹1,18,955 crore (refer *paragraph 2.7.2*). Considering that OBB and other liabilities, which are being serviced out of the State Budget, the ratio of Debt to GSDP would be 37.77 per cent, which is 12.77 per cent higher than the set target of 25 per cent as per the TSFRBM Act. This is also 8.47 per cent above the norms of 29.30 per cent as prescribed by the XV Finance Commission.

¹² (i) State Compensatory Afforestation Fund: ₹76 crore; (ii) State Disaster Response Fund: ₹86 crore; (iii) Defined Contribution Pension Scheme for Government Employees: ₹20 crore

¹³ Purchase of surgical consumables treated as Capital Expenditure: ₹43 crore

¹⁴ (i) Purchase of Motor Vehicles: ₹43 crore; (ii) Purchase of Machinery and Equipment: ₹22 crore; (iii) Tools and Plants: ₹3 crore

¹⁵ (i) ₹400 crore transferred from Deposit account of Telangana Scheduled Castes Development Corporation to Receipt head; and ₹600 crore transferred from Deposit account of Telangana Tribal Cooperative Finance Corporation to receipt head.

¹⁶ excluding back-to-back loans in lieu of GST compensation to be serviced out of GST compensation Cess



Chapter 2
Finances of the State

2.1 Introduction

This Chapter provides a broad perspective of the finances, analyses the critical changes in key fiscal aggregates relative to preceding years, overall trends during the five-year period 2017-18 to 2021-22, 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 2020-21

A bird's eye view of major changes in key fiscal aggregates of the State during 2021-22, compared to the preceding year is given in *Table 2.1*.

Table 2.1: Changes in key Fiscal Aggregates in 2021-22 compared to 2020-21

Revenue Receipts	<p>Revenue Receipts of the State increased by 26 per cent Own Tax receipts of the State increased by 37 per cent Own Non-tax receipts increased by 45 per cent State's Share of Union Taxes and Duties increased by 48 per cent Grants-in-Aid from Government of India decreased by 44 per cent</p>
Revenue Expenditure	<p>Revenue Expenditure increased by 11 per cent Revenue Expenditure on General Services increased by 13 per cent Revenue Expenditure on Social Services increased by 10 per cent Revenue Expenditure on Economic Services increased by 11 per cent</p>
Capital Expenditure	<p>Capital Expenditure increased by 81 per cent Capital Expenditure on General Services increased by 23 per cent Capital Expenditure on Social Services increased by 196 per cent Capital Expenditure on Economic Services increased by 66 per cent</p>
Loans and Advances	<p>Disbursement of Loans and Advances decreased by 22 per cent Recoveries of Loans and Advances decreased by 18 per cent</p>
Public Debt	<p>Public Debt Receipts increased by 2 per cent Repayment of Public Debt decreased by 1 per cent</p>
Public Account	<p>Public Account Receipts increased by 12 per cent Disbursement of Public Account increased by 19 per cent</p>
Cash Balance	<p>Cash Balance decreased by ₹1,098 crore (12 per cent) during 2021-22 compared to previous year</p>

Source: Finance Accounts

- There is increase in Revenue Receipts in all its components, except Grants-in-Aid from Government of India.
- Revenue Expenditure also has increased. However, the rate of increase is not at par with that of Revenue Receipts. The higher rate of increase in Revenue Receipts (than in Revenue Expenditure) has led to reduction in Revenue Deficit.
- There is a significant increase in the Capital Expenditure, mainly in Social sector and Economic Sector services.
- While the Public Debt or Borrowings increased marginally, there was a considerable decrease in the Loans and Advances provided by State Government.

The above aspects are further discussed in the later paragraphs.

2.3 Sources and Application of Funds

Comparison of the components of the sources and application of funds of the State during 2021-22 with those of the preceding year is shown in **Table 2.2**.

Table 2.2: Sources and Application of funds during 2020-21 and 2021-22

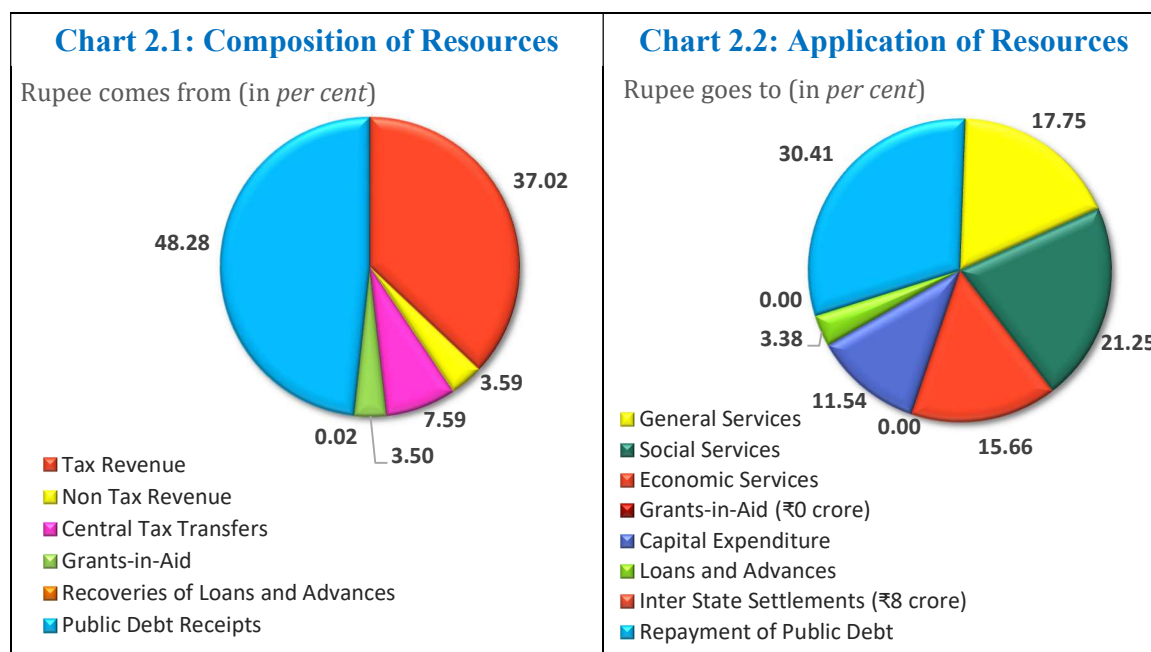
(₹ in crore)

Particulars		2020-21	2021-22	Increase (+) / Decrease (-)
Sources	Opening Cash Balance with Reserve Bank of India [#]	12,096	9,193	(-)2,903
	Revenue Receipts	1,00,914	1,27,469	26,555
	Recoveries of Loans and Advances	58	48	(-)10
	Public Debt Receipts (Net)	39,595	42,935	3,340
	Public Account Receipts (Net)	6,536	2,605	(-)3,931
	Total	1,59,199	1,82,250	23,051
Application	Revenue Expenditure	1,23,212	1,36,804	13,592
	Capital Expenditure	15,922	28,874	12,952
	Disbursement of Loans and Advances	10,868	8,469	(-)2,399
	Inter-State Settlement	8	8	0
	Net Contingency Fund	(-)4	0.05	4.05
	Closing Cash Balance with Reserve Bank of India [#]	9,193	8,095	(-)1,098
	Total	1,59,199	1,82,250	23,051

Source: Finance Accounts

[#] Cash balance with Reserve Bank of India includes 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 pertaining to Consolidated Fund in terms of *percentages* is presented in **Chart 2.1** and **Chart 2.2**.



Source: Finance Accounts

The State Government primarily resorted to Public Debt (48.28 per cent) for its resources. However, the share of Public Debt in resources was lower than previous year (54 per cent).

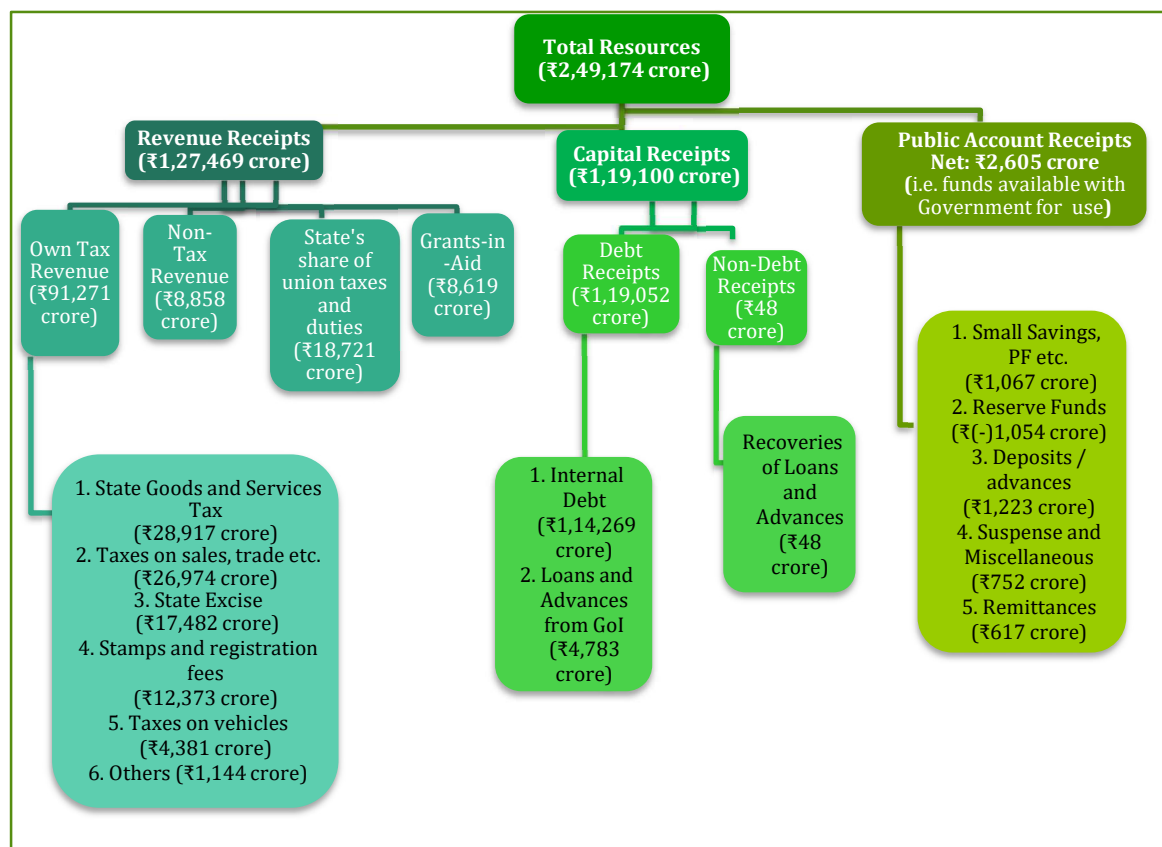
The share of Tax Revenue (37.02 per cent) and Non-Tax Revenue (3.59 per cent) increased in comparison to previous year, i.e., 31 per cent and 3 per cent respectively. The share of Central Tax transfers (7.59 per cent) adds to Resources and it has also increased in comparison to previous year (6 per cent). The share of Grants in aid (3.50 per cent) has decreased (7 per cent) than previous year. Higher share of Own Tax and Non-Tax Revenues and less share of Public Debt Receipts indicates that State's own resource mobilization increased in the current year.

However, State's dependency on Public Debt is impacting the application of resources mobilized as more than 30 per cent of the resources were utilised for repayment of Public Debt, which takes highest share in the application of resources. However, this was lower than the previous year's share of 34 per cent. The share of General, Social and Economic services in application of resources is almost as that of previous year. There is notable increase in the share of Capital Expenditure (12 per cent) to overall disbursements as against 7 per cent in previous year.

2.4 Resources of the State

Chart 2.3 depicts the composition of resources of the State during 2021-22.

Chart 2.3: Composition of Receipts of the State during 2021-22



Source: Finance Accounts

State's Own Receipts (₹1,00,129 crore) comprising Own Tax Revenue and Non-Tax Revenue constituted 79 per cent of Revenue Receipts. As mentioned in **Table 2.1**, the

Revenue Receipts increased by 26 per cent mainly owing to increase in Own Tax Revenue (increase by 37 per cent), Non-Tax Revenue (45 per cent) and State's share of Union Taxes and Duties (48 per cent).

The increase under Tax Revenue was on account of increase in receipts from (i) Stamps and Registration, (ii) State Goods and Services Tax, (iii) Taxes on Sales, Trade, etc. and (iv) State Excise. The increase in Non-Tax Revenue was mainly from (i) Miscellaneous General Services and (ii) Other Social Services.

These aspects are further discussed in the forthcoming paragraphs.

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 2017-22 are shown in **Table 2.3**.

Table 2.3: Trend in Revenue Receipts

Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (₹ in crore)	88,824	1,01,420	1,02,544	1,00,914	1,27,469
Growth rate of Revenue Receipts (per cent)	7	14	1	(-2)	26
Own Tax Revenue (₹ in crore)	56,520	64,674	67,597	66,650	91,271
Non-Tax Revenue (₹ in crore)	7,825	10,007	7,360	6,101	8,858
Total Own Revenue (₹ in crore)	64,345	74,681	74,957	72,751	1,00,129
Growth rate of Own Revenue (Own Tax and Non-Tax Revenue) (per cent)	11	16	0.37	(-3)	38
GSDP (₹ in crore) (2011-12 Series)	7,50,050	8,57,427	9,50,287	9,61,800	11,48,115
Growth rate of GSDP (per cent)	14	14	11	1	19
Revenue Receipts/ GSDP (per cent)	12	12	11	10	11
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)	0.52	0.99	0.10	(-1.31)	1.36
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)	0.76	1.12	0.03	(-2.43)	1.94

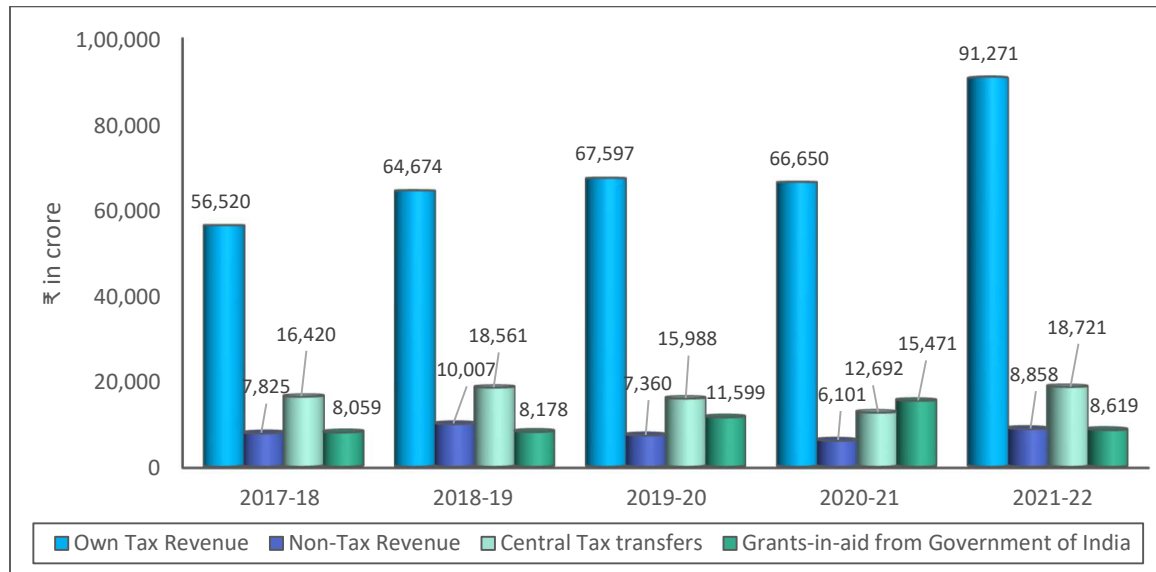
Source: Finance Accounts; for GSDP: Ministry of Statistics and Programme Implementation of respective years (figures as on 01 August 2022)

- The growth rate of Revenue Receipts showed an inconsistent trend in the last four years. However, Revenue Receipts were highest in the current year during the past five years.
- The ratio of Revenue Receipts to GSDP has registered a marginal increase during the current year in comparison to previous year.
- The Buoyancy ratio of both Revenue Receipts and Own Revenue registered more than '1' during the 2021-22 indicating that they grew at a better rate than the GSDP. In fact, the year 2020-21 was an exception as the revenues have been impacted by Covid-19

pandemic in the initial months of the financial year. Nonetheless, the buoyancy ratio of both Revenue Receipts and Own Revenue is highest in the current year during period 2017-22.

State's Revenue Receipts are generally categorized in four components viz., Own Tax Revenue, Non-Tax Revenue, Share of Central Taxes transferred to State and Grants-in-Aid (GIA) received from Government of India. The trend of these components for the period 2017-22 is given in **Chart 2.4**.

Chart 2.4: Trend of composition of Revenue Receipts during 2017-22



Source: Finance Accounts of the years concerned

State's Own Tax Revenue, which was growing year-on-year up to 2019-20 and decreased marginally in 2020-21 due to Covid-19 pandemic, has recovered in 2021-22. It has grown significantly due to increase in almost all sub-components such as Stamp Duty and Registration fees, State Goods and Services Tax, Taxes on Sales, Trade etc., and State Excise. Non-Tax Revenue and Central Tax transfers have also increased when compared to preceding year. Grants-in-Aid from Government of India, on the other hand, have decreased considerably by 44 per cent than 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 and Grant-in-Aid from Central Government is determined by Central Tax receipts and anticipated Central assistance for schemes. Own Tax Revenue and Non-Tax Revenue are the two components that provide an understanding of the State's performance in mobilization of resources.

(i) Own Tax Revenue

Own Tax Revenues (OTR) includes State Goods and Services Tax, State Excise, Taxes on vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, etc.

During 2021-22, State's Own Tax Revenue (₹91,271 crore) constituted 72 per cent of total Revenue Receipts (₹1,27,469 crore). Own Tax Revenue has increased significantly by 37 per cent (₹24,621 crore) over the previous year. As a percentage to Gross State Domestic Product, OTR increased to 8 per cent in 2021-22 over previous year (7 per cent).

During the current year, major contributors of Own Tax Revenue were State Goods and Services Tax (32 per cent), Taxes on Sales, Trades etc., (30 per cent) and State Excise (19 per cent). Component wise details of State's Own Tax Revenue collected during 2017-22 are detailed in **Table 2.4**.

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
State Goods and Services Tax	13,073	23,840	23,517	22,190	28,917	
Taxes on Sales, Trade, etc.	25,107	20,291	20,674	20,904	26,974	
State Excise	9,421	10,638	11,992	14,370	17,482	
Stamps Duty and Registration fees	4,202	5,344	6,671	5,243	12,373	
Taxes on Vehicles	3,590	3,762	3,935	3,338	4,381	
Taxes on goods and passengers	88	189	62	19	8	
Land Revenue	4	0.42	1	1	0.26	
Other Taxes	1,035	610	745	585	1,136	
Total	56,520	64,674	67,597	66,650	91,271	

Source: Finance Accounts of the years concerned

- Receipts from State Goods and Services Tax (SGST), introduced in 2017-18, stagnated in 2019-20 and saw marginal decline in 2020-21 due to Covid-19 pandemic. However, SGST has increased by 30 per cent over in 2021-22, indicating a strong recovery.
- Receipts from Taxes on Sales, Trade etc., which was stagnant during the three years from 2018-19 to 2020-21, also grew by 29 per cent during 2021-22.
- Receipts from State Excise have been consistently growing, year-on-year, even during the Covid-19 pandemic. In 2021-22, receipts grew by 22 per cent when compared to last year. This was mainly due to (i) increase (₹1,896 crore) in receipts from 'Foreign Liquors and spirits' on account of increase in volume of liquor and beer sales and (ii) increase (₹1,304 crore) in receipts from 'Other receipts' as collection of user charges for services rendered¹.
- The highest increase of ₹7,130 crore under OTR was in receipts from Stamps Duty and Registration Fees, which grew by 136 per cent. The huge growth was on account of revision of Market Values for properties twice during July 2021² and January 2022³

¹ on account of non-refundable application fees at a rate of ₹2 lakh for each application for Liquor Retail shops for license period 2021-23

² G.O.Ms.No.58, dated 20 July 2021

³ G.O.Ms.No.9, dated 29 January 2022

coupled with increase in the rates of Stamp Duties⁴, Registration Fee⁵ and Structure Rates⁶. There was also an increase in number of Documents registered in the current year. The number of documents registered in 2021-22 was 12.07 lakh, which showed an increase of 2.46 lakh documents (26 *per cent*), when compared to 9.61 lakh documents registered in the previous year.

- Receipts from Taxes on Vehicles, which was growing slowly and steadily since 2017-18, registered a considerable decrease in 2020-21. The decrease in 2020-21 was due to (i) exemptions⁷ given by the Government for payment of Tax in respect of motor transport vehicles for quarters ending June and Septembers 2020 (ii) decrease in the life tax on non-transport vehicles due to lesser registrations (iii) decrease in revenue from fees and taxes on detection by checking officers / motor vehicle inspectors. The regular growth was seen in 2021-22 despite a decline of five *per cent* in number of new vehicle registrations⁸.

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 products⁹); (iii) Integrated GST (IGST)¹⁰, a tax on inter-State supply of Goods or Services or both by the Central Government; and (iv) GST Compensation Cess¹¹ and receipts under each component is given below:

- CGST:** The State received ₹5,573 crore as share of net proceeds assigned to States under CGST during the year 2021-22.
- SGST:** The total receipts of SGST were ₹28,917 crore during the year 2021-22, including apportionment of IGST (₹2,601 crore) and advance apportionment of IGST (₹1,263 crore).
- IGST:** State has not received any amount under this head since 2019-20.
- 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

⁴ G.O.Ms.No.59, dated 20 July 2021

⁵ G.O.Ms.No.60, dated 20 July 2021

⁶ C&IG of Registration and Stamps proceedings No. MV/539/2014, dated 20 July 2021

⁷ Transport, Roads & Buildings (Tr.I) Department G.O.Ms.No.64, dated 31 December 2020

⁸ Number of non-transport vehicles registered: 7.86 lakh during 2021-22 and 8.28 lakh during 2020-21

⁹ Petroleum crude, High speed diesel, Motor spirit (Petrol), Natural gas and Aviation turbine fuel

¹⁰ 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

¹¹ 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

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's (i.e., 2015-16) revenue of the State. The revenue of Telangana in the base year (2015-16) was ₹16,038 crore¹². Accordingly, the Protected Revenue for the year 2021-22 was ₹35,204 crore¹³.

The total collection (₹29,075 crore¹⁴) of the State under SGST was less than the protected revenue (₹35,204 crore) for the year 2021-22. Thus, ₹6,128 crore was due as GST compensation. An amount of ₹2,006 crore was received during 2021-22 as Grants-in-Aid under 'Compensation for loss of Revenue arising out of implementation of GST. Besides, the State Government also received 'back-to-back loan of ₹4,569 crore from GoI to meet the resource gap due to shortfall in GST compensation during 2021-22. The compensation received during the year was more by ₹446 crore, which might need to be adjusted. The total amount of receivable (provisionally calculated) as GST compensation each year and received is shown below:

Table 2.5: GST Compensation receivable (provisionally calculated) and received from 2017-18 to 2021-22

(₹ in crore)

Sl. No.	Details	2017-18*	2018-19	2019-20	2020-21	2021-22
1	Protected Revenue (calculated at a growth rate of 14 <i>per cent</i> over base year revenue of ₹16,038 crore)	15,632	23,762	27,088	30,881	35,204
2	SGST collected / received	13,073 [#]	23,840	23,517	22,190	28,917
3	Pre-GST collected as taxes subsumed in SGST	2,913	671	577	419	158
4	Total collection (2+3)	15,986	24,511	24,094	22,609	29,075
5	GST Compensation receivable (1-4), if any	0	0	2,994	8,272	6,129
6	GST Compensation received	169	0	2,263	3,103	2,006
7	Back-to-back loans in lieu of GST Compensation, which need not be repaid	0	0	0	2,380	4,569
8	Excess (-) / Shortfall (+) (5-6-7)	(-)169	0	731	2,789	(-)446

* for nine months from July 2017 to March 2018

including advance apportionment of ₹705 crore

Source: Finance Accounts of years concerned

Note: Provisional figures subject to final certification

(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.

¹² revised as per Government of India Office Memorandum dated 12 July 2022

¹³ Calculated at compounding increase of 14 *per cent* per annum for five years viz., 2016-17, 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 from the base year revenue of ₹16,038 crore (i.e., ₹16,038.46 crore * 1.14 * 1.14 * 1.14 * 1.14 * 1.14 * 1.14 = ₹35,204 crore)

¹⁴ SGST: ₹28,917 crore and Pre-GST collected as taxes subsumed under SGST

During 2021-22, State's own Non-Tax Revenue (₹8,858 crore) constituted seven *per cent* of total Revenue Receipts (₹1,27,469 crore). NTR increased significantly by ₹2,757 crore (45 *per cent*) in the current year when compared to the previous year.

Table 2.6: Components of State's Non-Tax Revenue

(₹ in crore)

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22	Sparkline
Interest Receipts	116	60	18	34	20	
Dividends and Profits	101	94	115	94	52	
Other Non-Tax Receipts	7,608	9,853	7,227	5,973	8,786	
(a) Major and Medium Irrigation	1,527	36	31	18	24	
(b) Roads and Bridges	17	34	46	24	18	
(c) Urban development	28	9	21	7	93	
(d) Education	336	318	367	614	495	
(e) Non-ferrous mining	3,593	4,647	3,487	3,457	2,296	
(f) Others or Miscellaneous	2,107	4,809	3,275	1,853	5,860	
Total	7,825	10,007	7,360	6,101	8,858	

Source: Finance Accounts of the years concerned

Both interest receipts and dividends and profits have decreased in comparison to previous year. This depicts the quality of loans given and investments made by the Government.

The increase in Receipts from 'other Non-Tax Receipts' is due to increase in receipts from 'Others or Miscellaneous'.

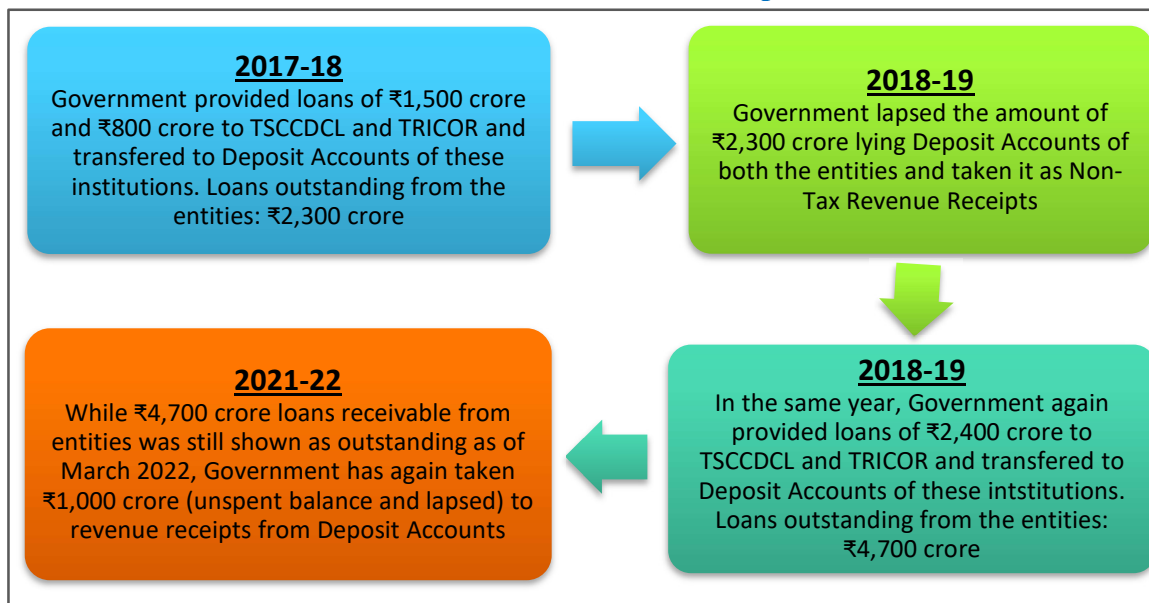
- Receipts from 'Other Social Services' (Major Head of Account: 0250) included ₹400 crore and ₹600 crore as amount of loans lapsed from Deposit Account in Public Account pertaining to Telangana Scheduled Castes Cooperative Development Corporation Limited (TSCCDCL) and Telangana Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR) respectively.

State Government had advanced loans of ₹2,300 crore¹⁵ to these institutions in 2017-18 by crediting the Deposit Accounts of these institutions. These were advanced for the implementation of Government subsidy schemes. In the subsequent year, the same amounts were lapsed from the Deposit Accounts and credited back to Government Account as Revenue Receipts (**Box 1.1, Paragraph 1.3.1 of State Finances Audit Report for the year ended March 2019**).

¹⁵ To Telangana Scheduled Castes Cooperative Development Corporation Limited (₹1,500 crore) and Telangana Scheduled Tribes Cooperative Finance Corporation Limited (₹800 crore)

Again, an amount of ₹2,400 crore¹⁶ was advanced as loans in 2018-19. As a result, these institutions have a total outstanding loan of ₹4,700 crore¹⁷ in the Government Accounts. These transactions are presented in a pictorial manner in **Chart 2.5**.

Chart 2.5: Picture showing Provision of Loans, lapsing them and crediting to Government as Non-Tax Receipts



Source: Finance Accounts of the years concerned

The State Financial Code¹⁸, *inter alia*, stipulates that Personal Deposit accounts created by debit to the Consolidated fund 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. Further, as per List of Major and Minor Heads¹⁹, adjustment of expenditure against Reserve Fund / Deposit Accounts would be shown as a deduction under the minor head. Incorrect classification of the above ₹1,000 crore as Non-Tax Revenue instead of as reduction of loans has resulted in overstatement of Revenue Receipts as well as outstanding loans i.e., assets to that extent.

Government replied (November 2022) that these pertain to different schemes of Social Welfare Department and Tribal Welfare Department. These amounts were unspent balances lying in Personal Deposit (PD) Accounts and were eligible under category 'C' lapsable deposits to Government as per Government Orders²⁰. As the PD Administrators could not identify the original Schemes to which these releases pertained to, the balances were lapsed to Government under Departmental Receipts. The Government also stated that there is no Revenue Deficit/Surplus impact.

¹⁶ to Telangana Scheduled Castes Cooperative Development Corporation Limited (₹1,500 crore) and Telangana Scheduled Tribes Cooperative Finance Corporation Limited (₹900 crore)

¹⁷ to Telangana Scheduled Castes Cooperative Development Corporation Limited (₹3,000 crore) and Telangana Scheduled Tribes Cooperative Finance Corporation Limited (₹1,700 crore)

¹⁸ Paragraph 271 (iii) (4)

¹⁹ Paragraph 4.5 of General Directions

²⁰ G.O.Ms.No.43, dated 22 April 2000

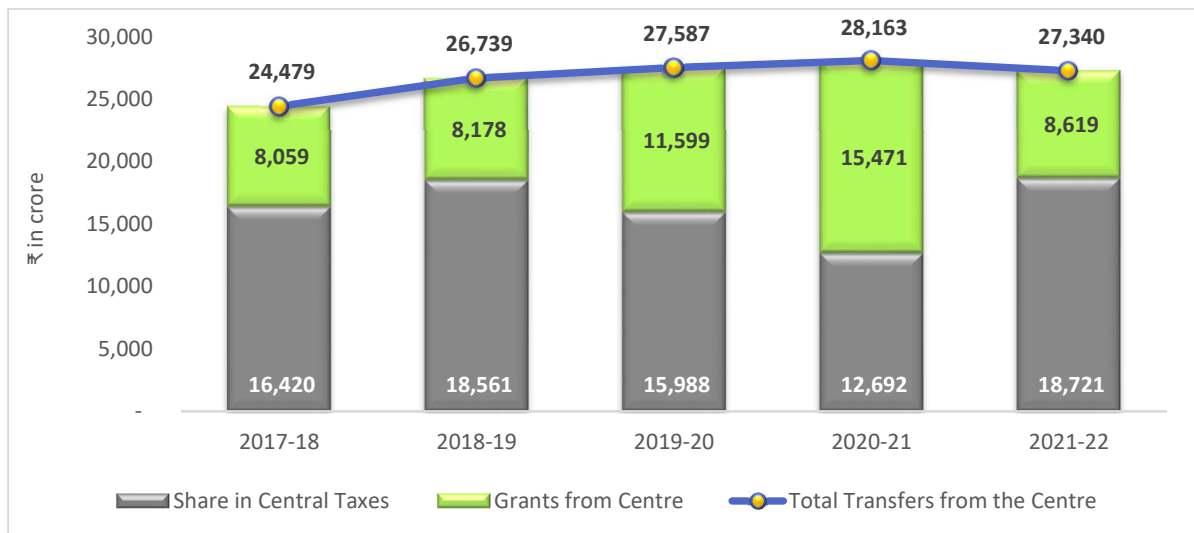
The reply is not correct as TSCCDCL and TRICOR stated that these amounts pertain to the earlier loans given by the Government. Further, this would also have a Revenue Deficit impact as mentioned above.

- There has been a huge increase in receipts from ‘Sale of Land and Property’, from ₹10 crore in 2020-21 to ₹2,708 crore in 2021-22. However, this was far below the budgeted amount of ₹16,000 crore. In earlier years also, the Government in its budget has been overestimating receipts from Sale of Land and Property and actual realisations were nominal in comparison to budgeted amounts.

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 2017-22 are shown in **Chart 2.6**.

Chart 2.6: Trends in transfers from Government of India



Source: Finance Accounts of the years concerned

In the current year, share in central share taxes has increased and share in Grants-in-Aid has decreased. 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 (*refer to paragraph 4.4 for details*). The tax devolution and Grants-in-Aid are discussed in the following paragraphs:

(i) Central Tax transfers

For its award period 2021-26, Fifteenth Finance Commission (XV FC) allocated 2.102 per cent of the total divisible pool of Union Taxes as *inter se* share to Telangana. Accordingly, XV FC assessed share of Telangana for the year as ₹13,844 crore²¹. However, the State has received an amount of ₹18,721 crore as share of Central Taxes, which was higher than projection in the XV FC Report. This contrasts with earlier years when the State Government received lesser amounts than the projected in the Finance Commissions' Reports (FCR).

²¹ 2.102 per cent of the assessed divisible pool Union Taxes amount of ₹6,58,591 crore

The details of actual devolution of State's share in Union taxes and duties vis-à-vis XIV FC / XV FC projections for the period 2017-22 are shown in **Table 2.7**.

Table 2.7: 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 (=Col.4 - Col. 3)
2017-18	As per XIV FC	18,916	16,420	(-),2,496
2018-19		21,885	18,561	(-),3,324
2019-20		25,350	15,988	(-),9,362
2020-21	As per XV FC	18,241	12,692	(-),5,549
2021-22		13,844	18,721	(+),4,877

Source: Finance Accounts of the years concerned and Finance Commissions' reports

The component-wise Central Tax transfers to the State during 2017-22 are given below:

Table 2.8: Central Tax Transfers

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Central Goods and Services Tax (CGST)	231	4,581	4,537	3,715	5,573
Integrated Goods and Services Tax (IGST)	1,657	366	--	--	--
Corporation Tax	5,027	6,454	5,451	3,865	4,649
Taxes on Income other than Corporation Tax	4,245	4,753	4,271	3,967	5,635
Customs	1,657	1,315	1,013	649	1,506
Union Excise Duties	1,731	874	705	422	899
Service Tax	1,872	172	--	63	438
Other Taxes ²²	0	46	10	11	21
Central Tax transfers	16,420	18,561	15,988	12,692	18,721
Percentage of increase over previous year	10	13	(-),14	(-),21	48
Percentage of Central tax transfers to Revenue Receipts	18	18	16	13	15

Source: Finance Accounts of the years concerned

As seen from the above table, there is considerable increase in almost all the components. Thus, Central Tax transfers as a *percentage* to Revenue Receipts of the State increased by 2 *percentage* points (₹6,029 crore) when compared to 2020-21.

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

The details of Grants-in-Aid received from Government of India (GoI) during 2017-22 are detailed in **Table 2.9**.

²² include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services

Table 2.9: Grants-in-Aid from Government of India

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Plan Grants	--	--	--	--	--
Grants for State Plan Schemes	--	--	--	--	--
Grants for Centrally Sponsored Schemes	6,108	5,508	5,729	5,805	4,461
Finance Commission Grants	1,168	1,806	3,219	3,135	1,787
Other transfers/Grants to States	783	864	2,651	6,531	2,371
Total	8,059	8,178	11,599	15,471	8,619
Percentage of increase / decrease over the previous year	(-17)	1	42	33	(-44)
Percentage of Grants in Aid to Revenue Receipts	9	8	11	15	7

Source: Finance Accounts of the years concerned

- (i) The Grants-in-Aid (GIA) were less than the previous two years. It constituted only seven *per cent* of the Revenue Receipts (₹1,27,469 crore). Of the GIA received, 23.27 *per cent* was towards compensation for loss of revenue arising out of implementation of GST (₹2,006 crore). More than half, i.e., 51.76 *per cent* of GIA was towards Centrally Sponsored Schemes (₹4,461 crore).
- (ii) In the previous year i.e., 2020-21, Grants to cover gap in resources (₹2,638 crore) and Grants-in-Aid for creation of Capital assets (₹450 crore) constituted significant portion of GIA. There were no such receipts during the current year.
- (iii) The XV FC forecasted that Telangana would be the only State with pre-devolution Revenue Surplus of ₹2,155 crore during 2021-22. Hence, XV FC did not recommend any Revenue Deficits grants to Telangana. However, the State registered a Revenue Deficit of ₹9,335 crore during 2021-22 even after post-devolution of State's share of Central Taxes.
- (iv) The XV FC has recommended ₹449 crore towards State Disaster Response Fund (SDRF) for 2021-22 to Telangana, which was accepted by GoI. As against this, GoI has released ₹359 crore, leaving a shortfall of ₹90 crore.
- (v) For the year 2021-22, the XV FC recommended a grant of ₹1,365 crore to Rural Local Bodies (RLBs), which was also accepted by the GoI. However, the State has received only ₹683 crore²³ leaving a short fall of ₹682 crore.
- (vi) For the year 2021-22, the XV FC recommended a grant of ₹672 crore to Urban Local Bodies (ULBs), which was accepted by the GoI. However, the State has received ₹327 crore only. The shortfall is ₹345 crore.

Overall, the State did not receive specific grants of ₹1,117 crore recommended by XV FC and accepted by GoI during 2021-22.

²³ The actual receipts booked under this head was ₹1,101 crore which incorrectly included ₹418 crore received towards health grants (as against ₹419 crore recommended by XV FC)

2.4.2 Capital Receipts

Capital Receipts comprise Loans and Advances from GoI, 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. **Table 2.10** shows the trends in growth and composition of capital receipts.

Table 2.10: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	21,820	22,312	29,855	39,653	42,983
Miscellaneous Capital Receipts	--	--	--	--	--
Recovery of Loans and Advances	138	66	62	58	48
Net Public Debt Receipts[#]	21,682	22,246	29,793	39,595	42,935
Net Internal Debt	21,458	22,646	30,025	37,420	38,662
Growth rate of Net Internal Debt	(-26)	6	33	25	3
Net Loans and Advances from GoI	224	(-400)	(-232)	2,175 ^s	4,273 ^s
Growth rate of Loans and Advances from GoI	16	(-279)	(-42)	1,038	97
Growth rate of debt Capital Receipts	(-26)	3	34	33	8
Growth rate of non-debt Capital Receipts	(-12)	(-52)	(-6)	(-6)	(-17)
Growth rate of Gross State Domestic Product	14	14	11	1	19
Rate of growth of Capital Receipts (per cent)	(-26)	2	34	33	8

Source: Finance Accounts; For Gross State Domestic Product: Ministry of Statistics and Programme Implementation (figures as on 01 August 2022)

[#] Excludes Ways and Means Advances of ₹22,922 crore, ₹21,823 crore, ₹37,248 crore, ₹69,454 crore and ₹67,274 crore for 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 respectively

^s Includes ₹2,380 crore and ₹4,569 crore back-to-back loans in lieu of GST compensation shortfall during the years 2020-21 and 2021-22 respectively, which need not be repaid by the State Government

Public Debt receipts, consisting of borrowings taken from Market, Financial Institutions and Central Government, which create future repayment obligation, constituted the major part of Capital Receipts (99.89 per cent). The hike in Loans and Advances from GoI was due to receipt of ₹4,569 crore towards 'back-to-back loan in lieu of GST Compensation shortfall'.

Net Capital Receipts increased by eight per cent from ₹39,653 crore in the previous year to ₹42,983 crore in 2021-22. Net Internal Debt (₹38,662 crore) increased by three percentage points during 2021-22 compared to previous year (₹37,420 crore). These were significantly lower than the growth rate of Gross State Domestic Product (19 per cent) during 2021-22.

2.4.3 State's performance in mobilisation of resources

The XV FC considered the buoyancy as 1.10 for GST and 1.15 for non-GST taxes for States. The XV FC also estimated that Non-Tax Revenue would keep pace with Gross State Domestic Product growth rates of each State. Accordingly, for Telangana for the year 2021-22, it assessed Own-Tax Revenue (OTR) as ₹78,653 crore and Non-Tax Revenue as ₹12,400 crore. The Own Tax Revenue and Non-Tax Revenue projections by the XV FC and State Government in Budgets vis-à-vis actual performance in mobilisation of resources are shown below:

Table 2.11 Own Tax and Non-Tax Projections vis-à-vis actual receipts

(₹ in crore)

	XV FC projections	Budget Estimates	Actuals	Percentage variation of actual over	
				Budget estimates	XV FC projections
Own Tax Revenue	78,653	92,910	91,271	(-)1.76	16.04
Non-Tax Revenue	12,400	30,557	8,858	(-)71.01	(-)28.56

Source: FFC projections, Budget Estimates and Finance Accounts

- The State could achieve more than what is projected by XV FC in respect of own tax revenue during 2021-22 due to market buoyancy and revision of rates in certain components as discussed in earlier paragraphs. The performance in tax collection was also almost on par with the Budget Estimates indicating a pragmatic approach in estimation and collection by the State Government.
- The achievement in respect of NTR is below projections of XV FC and far below the Budget Estimates. In fact, the State Government, for the past few years, has been overestimating receipts from Sale of Land and Property (*refer Table 3.2 of Paragraph 3.2.2.1 for further details*).

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 2017-18 to 2021-22 is presented in *Table 2.12*.

Table 2.12: Total Expenditure and its components

(₹ in crore)

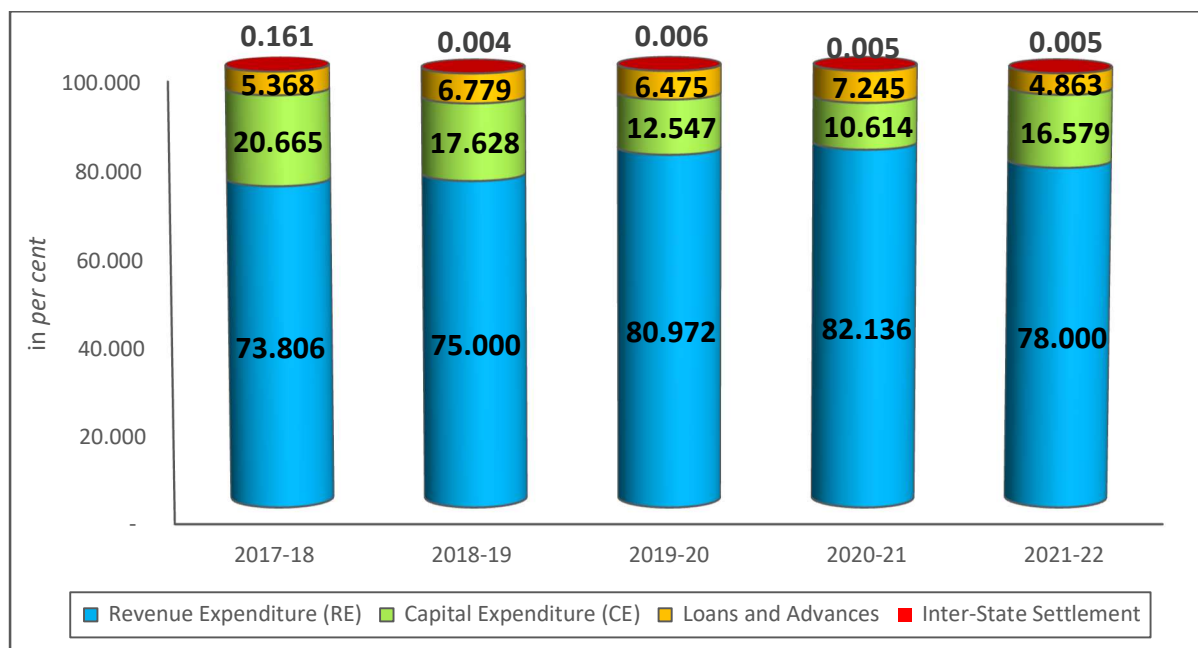
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure	1,15,662	1,28,435	1,34,365	1,50,010	1,74,155
Revenue Expenditure	85,365	97,083	1,08,798	1,23,212	1,36,804
Capital Expenditure	23,902	22,641	16,859	15,922	28,874
Loans and Advances	6,209	8,706	8,700	10,868	8,469
Inter-State Settlement	186	5	8	8	8
As a <i>percentage</i> to Gross State Domestic Product					
Total Expenditure	15	15	14	16	15
Revenue Expenditure	11	11	11	13	12
Capital Expenditure	3	3	2	2	3
Loans and Advances	1	1	1	1	1

Source: Finance Accounts of the years concerned

Total Expenditure of the State increased by 51 *per cent* from ₹1,15,662 crore in 2017-18 to ₹1,74,155 crore in 2021-22 and by 16 *per cent* over preceding year. As a *percentage* to

GSDP, the Total Expenditure and Revenue Expenditure has decreased marginally over previous year whereas Capital Expenditure has increased in absolute terms as well as a percentage of Gross State Domestic Product in 2021-22. **Chart 2.7** depicts the trend of the share of components in Total Expenditure.

Chart 2.7: Trend of share of components in Total Expenditure



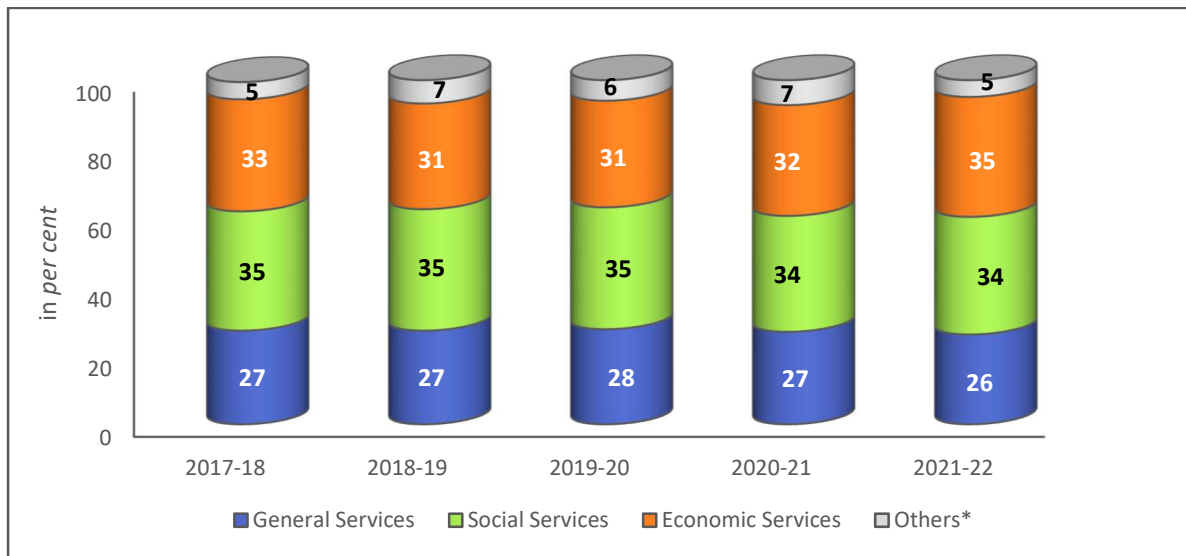
Source: Finance Accounts of the years concerned

Capital Expenditure decreased by nearly 4 *percentage* points to 17 *per cent* of Total Expenditure in 2021-22, from 21 *per cent* in 2017-18. However, it has shown an increase of nearly 6 *percentage* points in comparison to previous year.

On the other hand, Revenue Expenditure increased by 4 *percentage* points from 74 *per cent* in 2017-18 to 78 *per cent* in 2021-22. However, it decreased by 4 *percentage* points in 2021-22 in comparison to previous year. Loans and Advances also decreased by 2 *percentage* points 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 2.8**.

Chart 2.8: Trend of expenditure by activities during the past five years

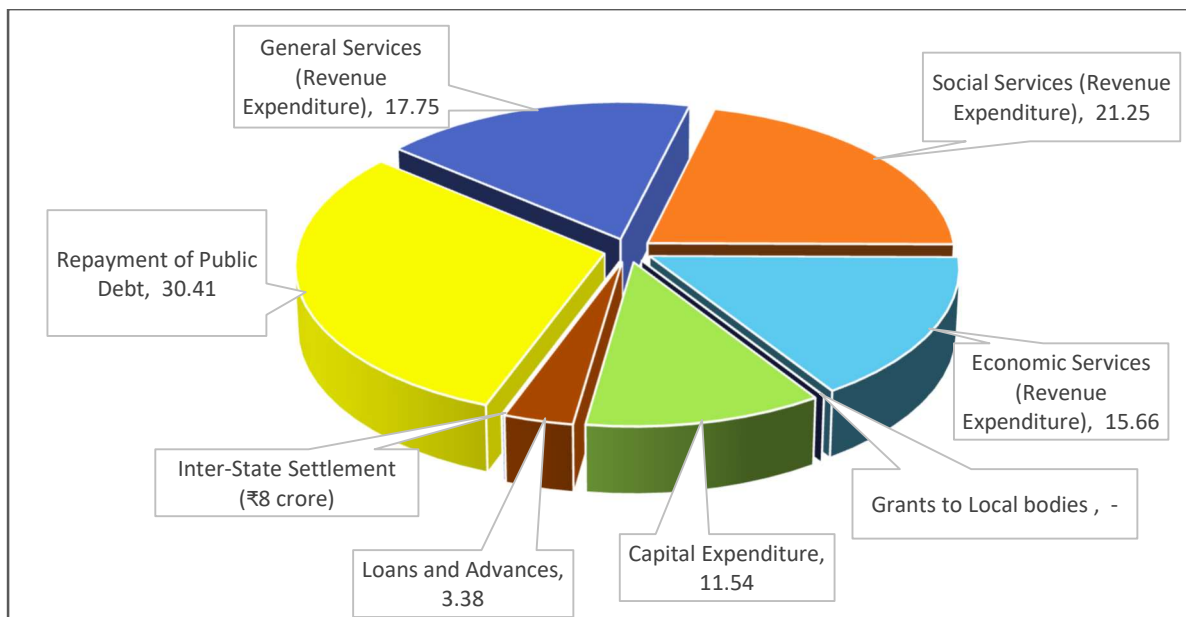


Source: Finance Accounts of the years concerned

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

Chart 2.9 depicts the composition of expenditure for the year 2021-22.

Chart 2.9: Composition of expenditure (in per cent) during 2021-22



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 2.13**.

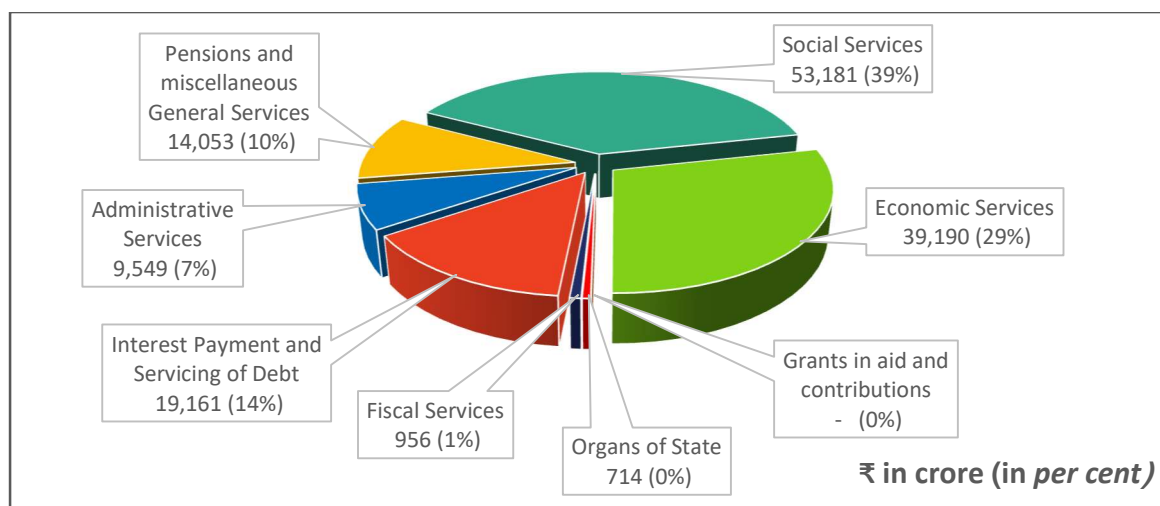
Table 2.13: Revenue Expenditure – Basic Parameters

(₹ in crore)

Sl. No.	Parameter	2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Expenditure	1,15,662	1,28,435	1,34,365	1,50,010	1,74,155
2	Revenue Expenditure	85,365	97,083	1,08,798	1,23,212	1,36,804
3	Growth rate of Revenue Expenditure (<i>per cent</i>)	4.83	13.73	12.07	13.25	11.03
4	Revenue Expenditure as a <i>per cent</i> to Total Expenditure	73.81	75.59	80.97	82.14	78.55
5	Revenue Expenditure / Gross State Domestic Product in <i>per cent</i>	11.38	11.32	11.45	12.81	11.92
6	Revenue Expenditure as a <i>percentage</i> to Revenue Receipts	96.11	95.72	106.10	122.10	107.32
7	Growth rate of Gross State Domestic Product (<i>per cent</i>)	13.93	14.32	10.83	1.21	19.37
8	Buoyancy of Revenue Expenditure with Gross State Domestic Product (ratio)	0.35	0.96	1.11	10.95	0.57
9	Growth rate of Revenue Receipts (<i>per cent</i>)	7.25	14.18	1.11	(-) <i>1.59</i>	26.31
10	Buoyancy of Revenue Expenditure with Revenue Receipts (ratio)	0.67	0.97	10.87	(-) <i>8.33</i>	0.42

Source: Finance Accounts of the years concerned

- During the year 2021-22, Buoyancy ratios of Revenue Expenditure to Revenue Receipts and to GSDP were less than ‘one’, indicating that Revenue Expenditure was growing at a slower pace than the Revenue Receipts and GSDP.

Sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart 2.10**.**Chart 2.10: Sector-wise distribution of Revenue Expenditure during 2021-22**

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

Significant variations under different Heads of Account regarding Revenue Expenditure of the State during the current year vis-à-vis the previous year is shown in **Table 2.14**.

Table 2.14: Variation in Revenue Expenditure during 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Account	2020-21	2021-22	Variation
Increase			
General Sector			
2049 - Interest Payments	16,841	19,161	2,320
2055 – Police	5,612	7,240	1,628
Social Sector			
2202 – General Education	11,763	13,844	2,081
2225 - Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	8,824	15,450	6,627
Economic Sector			
2435 – Other Agricultural Programmes	(-)509	772	1,281
2801 – Power	9,958	11,111	1,153
Decrease			
General Sector			
2015 – Elections	54	(-)153	(-)207
Social Sector			
2211 - Family Welfare	2,441	2,194	(-)247
2216 – Housing	555	255	(-)301
2217 – Urban Development	3,816	2,665	(-)1,151
2245 - Relief on account of Natural Calamities	3,651	(-) 119	(-)3,770
Economic Sector			
2515 - Other Rural Development Programmes	4,895	4,410	(-)485

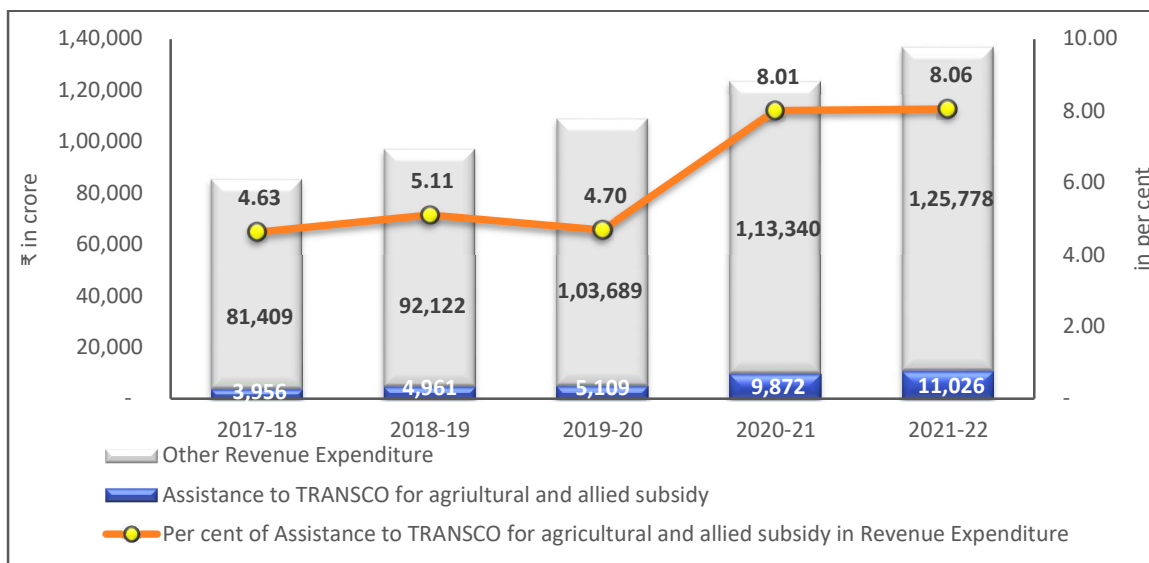
Source: Finance Accounts of the years concerned

The increase of Revenue Expenditure over the preceding year was mainly on account of the following:

- Sizeable expenditure (₹4,442 crore) was incurred on a new scheme viz., CM Dalit Empowerment Programme (Telangana Dalit Bandhu) under Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities;
- Higher interest payments (₹2,513 crore) on State Development Loans;
- Higher outlays on teaching grants to Mandal Praja Parishads by ₹890 crore and teaching grants Zilla Praja Parishads by ₹770 crore under General Education;
- Increase in expenditure on District Police Force by ₹596 crore and on City Police Force by ₹266 crore, Telangana Special police Units by ₹176 crore, Commissioner of Cyberabad Police by ₹167 crore, Commissioner of Rachakonda Police by ₹163 crore and Intelligence branch by ₹105 crore under Police;
- Higher disbursements (₹1,279 crore) on scheme for debt relief to farmers;
- Higher outgo (₹1,153 crore) under Assistance to TRANSCO for agriculture and allied subsidies under Power.

The expenditure on assistance to Transco for agriculture and allied subsidies has risen sharply over the last two years as shown in **Chart 2.11**.

Chart 2.11: Rise in assistance to TRANSCO for agriculture and allied subsidies vis-à-vis other Revenue Expenditure



Audit analysis of the data pertaining to the five-year period of 2017-22 revealed that major Revenue expenditure incurred on the following schemes / sub-heads:

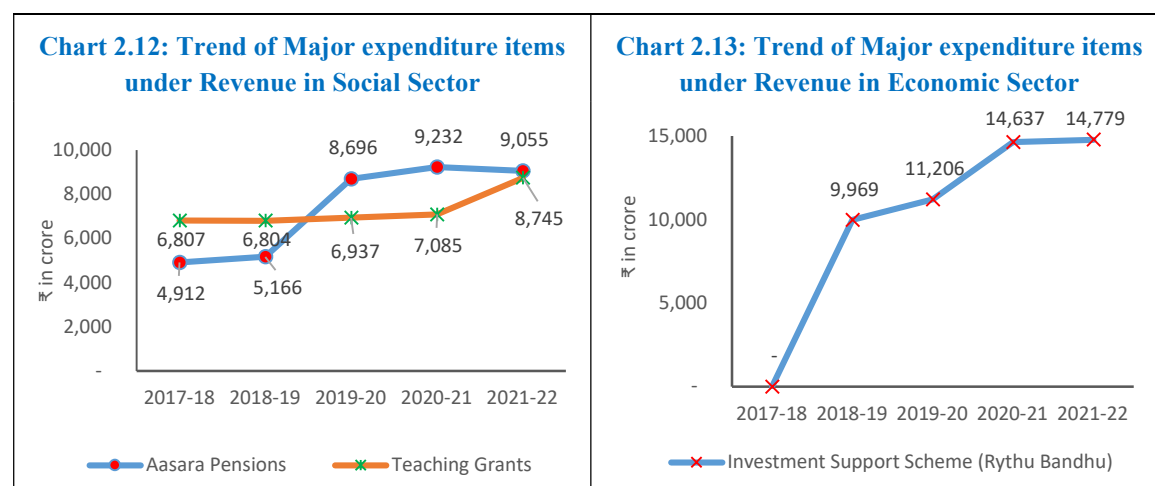
Table 2.15: Major schemes / sub-heads where Revenue Expenditure was significant during the past five years

(₹ in crore)

Social Services		Economic Services	
Aasara Pensions (including pensions to disabled, widows, weavers and toddy tappers and old age pensions etc.)	37,061	Investment Support Scheme (Rythu Bandhu)	50,591
Teaching Grants to Mandal Praja Parishads	18,833	Assistance to TRANSCO for agriculture and allied subsidies	34,924
Teaching Grants to Zilla Praja Parishads	17,544	Scheme for Debt Relief to farmers	5,280
Subsidy on Rice (Human Resources Development)	9,347		
Kalyana Lakshmi and Shaadi Mubarak	8,605		

Source: Finance Accounts of last five years

Apart from Assistance to TRANSCO for agricultural and allied subsidies, the outgo on Revenue components which had considerably increase in the past few years is shown below:



Source: Finance Accounts of last five years

Under Economic Sector, there is a persistent increase in both Investment Support Scheme (Rythu Bandhu) and Assistance to TRANSCO for agricultural and allied subsidy in the current year. Under Social Sector, there is nearly a twofold increase over the past five years in respect of Aasara pensions.

2.5.2.2 Committed Expenditure

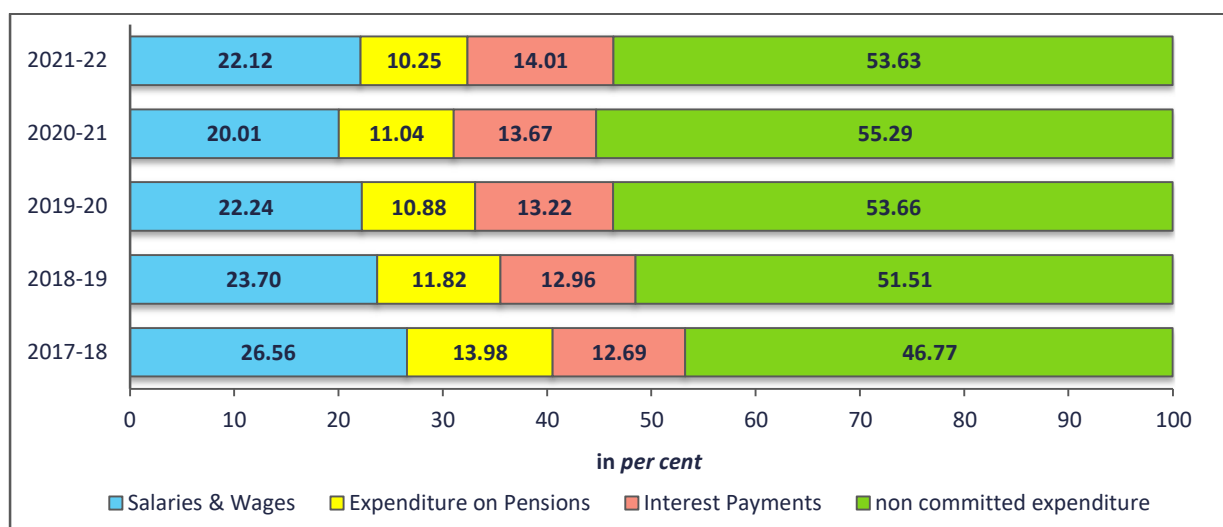
Committed expenditure of the State Government on revenue account consists of expenditure towards interest payments, expenditure on salaries and wages and pensions. Increasing share of committed expenditure restricts Government's ability to incur developmental expenditure. **Table 2.16** presents the trends in the components of Committed Expenditure during 2017-22.

Table 2.16: Components of committed expenditure

(₹ in crore)					
Components of committed expenditure	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries and Wages	22,671	23,011	24,195	24,654	30,256
Expenditure on Pensions	11,932	11,477	11,834	13,599	14,025
Interest Payments	10,836	12,586	14,386	16,841	19,161
Total	45,439	47,074	50,415	55,094	63,442
As a percentage to Revenue Receipts (RR)					
Salaries and Wages	25.52	22.69	23.59	24.43	23.74
Expenditure on Pensions	13.43	11.32	11.54	13.48	11.00
Interest Payments	12.20	12.41	14.03	16.69	15.03
Total	51.15	46.41	49.16	54.60	49.77

Source: Finance Accounts of last five years

The share of committed expenditure in total Revenue Expenditure during the past five years is depicted in **Chart 2.14**.

Chart 2.14: Share of committed expenditure in Revenue Expenditure during the period 2017-18 to 2021-22

Source: Finance Accounts

Committed expenditure constituted about 50 *per cent* of the Revenue Receipts (RR) and 46 *per cent* of Revenue Expenditure (RE) in 2021-22. As a percentage to RR, all the components of Committed Expenditure have decreased when compared to previous year. As a percentage to RE, Salaries and Wages and interest payments have increased whereas expenditure on pension has decreased. Overall, the committed expenditure component has increased in RE.

- (i) Percentage of interest payments to RR was lower than the previous year. However, interest payments were higher by ₹2,320 crore in absolute terms. 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 2017-22 from ₹10,836 crore to ₹19,161 crore. Interest payments, which were 12 *per cent* of RR in 2017-18, have increased to 15 *per cent* of RR in 2021-22.

Apart from this, the Government has facilitated interest payment of ₹6,490 crore for the loans taken by eleven institutions in the form of further loans²⁴/investments²⁵. These interest payments are relatable to Off-Budget Borrowings (*refer to paragraph 2.7.2*).

²⁴ As seen from the vouchers pertaining to Loans provided to following entities towards interest payment: (i) Kaleswaram Irrigation Project Corporation Limited (₹1,420 crore); (ii) Telangana Drinking Water Supply Corporation Limited (₹815 crore); (iii) Telangana State Housing Corporation (₹579 crore); (iv) Telangana State Power Finance Corporation (₹283 crore); (v) Telangana State Water Resources Infrastructure Development Corporation Limited (₹236 crore); (vi) Telangana State Sheep and Goat Development Cooperative Federation (₹234 crore); and (vii) Telangana State Police Housing Corporation (₹34 crore)

²⁵ As seen from the vouchers pertaining to investments made to following entities for interest payment: (i) Kaleswaram Irrigation Project Corporation Limited (₹1,284 crore); (ii) Telangana Drinking Water Supply Corporation Limited (₹927 crore); (iii) Telangana State Water Resources Infrastructure Development Corporation Limited (₹518 crore); (iv) Telangana State Road Development Corporation (₹160 crore)

- (ii) The Pension Expenditure marginally increased by ₹426 crore. However, its share in Revenue Expenditure decreased from 11 *per cent* to 10 *per cent*. This is due to the decision of the State Government to increase the retirement age of the Government employees from 58 years to 61²⁶ years based on the recommendations of the First Telangana Pay Revision Commission.
- (iii) The decision of the Government to increase retirement age along with implementation of First Pay Revision Commission, with monetary benefits payable from July 2021²⁷ led to increase in expenditure on Salaries and Wages by ₹5,602 crore over previous year. Further, its share in RE increased from 20 to 22 *per cent*.

2.5.2.3 Undischarged liabilities on account of National Pension System

Government of India introduced the ‘National Pension System (NPS)’ 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 per Finance Accounts, as on 01 April 2021, the National Pension System Deposit Account under Defined Contributory Pension Scheme for Government Employees had an opening balance of ₹287 crore. Receipts to the National Pension System Deposit Account during the year were ₹2,101 crore²⁸. Of the available total of ₹2,388 crore, Government transferred an amount of ₹2,074 crore to National Securities Depository Limited, leaving ₹314 crore²⁹ yet to be transferred.

As per provisions of the National Pension System, Government has to match the contribution of the employees. There is an overall short contribution of ₹66 crore³⁰ by the Government during the last eight years. Consequently, the current liability stands deferred to future years. Further, Government has created an avoidable interest liability on the amount of ₹380 crore (short contribution by Government and amount yet to be transferred to National Securities Depository Limited) to the end of March 2022.

Upon 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

²⁶ G.O.Ms No 45, dated 30 March 2021

²⁷ G.O.Ms.No.51, dated 11 June 2021

²⁸ Includes ₹995 crore of Employee contribution, ₹1 crore contribution of Employees on Foreign Service, Government contribution of ₹995 crore, Foreign Employer contribution of ₹3 crore and an amount of ₹107 crore pertaining to failed transactions credited under 8342-117-04-002 which is to be adjusted

²⁹ As of March 2022, in the NPS Deposit Account

³⁰ Employees contribution ₹4,250.73 crore (-) Government contribution ₹4,184.62 crore

Pradesh and Telangana. Of this amount, ₹365.21 crore was apportioned in 2018-19 and Telangana was allocated ₹134.60 crore. An amount of ₹365.43 crore was yet to be apportioned as of March 2022.

The Director of Treasuries and Accounts (DTA) has informed (November 2022) the following discrepancies in the data available with the department and Finance Accounts.

Table 2.17: Details of contributions and transfers to NSDL as per Finance Accounts and as informed by DTA

(₹ in crore)

	As per Finance Accounts	As informed by DTA
Contribution made by employees during 2021-22	995	692
Contribution made by Government during 2021-22	995	821
Contribution of employees on foreign service	1	NA
Foreign employer contribution	3	NA
Amount pertaining to failed transactions	107	NA
Amount transferred to NSDL	2,074	1,661
Balance to be transferred to NSDL	314	124
Amount apportioned	365	345

Source: Finance Accounts and information furnished by DTA

Further, the DTA informed that the matter has been already taken up with Principal Accountant General (Accounts and Entitlements) for reconciliation.

2.5.2.4 Subsidies

Table 2.18 presents expenditure on subsidies for the five-year period 2017-18 to 2021-22.

Table 2.18: Expenditure on subsidies

	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	5,899	6,304	6,846	9,566	10,218
Subsidies as a <i>percentage</i> of Revenue Receipts	7	6	7	9	8
Subsidies as a <i>percentage</i> of Revenue Expenditure	7	6	6	8	7

Source: Finance Accounts

Subsidies as a *percentage* to Revenue Receipts and Revenue Expenditure decreased marginally. Power (79 *per cent*) and Civil Supplies (12 *per cent*) together constituted 91 *per cent* (₹9,331 crore) of the total Subsidies.

- The increase in subsidies under Power towards Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied Subsidy (₹8,061 crore; an increase by ₹642 crore) and under Roads, Buildings and Ports towards assistance to Telangana State Road Transport Corporation towards Reimbursement of concessions extended to various categories of citizens (₹790 crore; an increase by ₹190 crore) was set off to an extent by decrease in Subsidy on Rice (Human Resources Development: ₹1,271 crore), i.e., decrease by ₹178 crore.
- Apart from releases through subsidies, Assistance to Transmission Corporation of Telangana Limited for Agriculture and allied subsidy was also provided through Grants-in-Aid in respect of Special Component Plan for Scheduled Castes (₹1,867 crore) and Tribal Area sub-plan (₹1,098 crore). Thus, the expenditure on

Assistance to Transmission Corporation of Telangana Limited for Agriculture and allied subsidy was treated partly as subsidies (₹8,061 crore) and partly as Grants-in-Aid (₹2,965 crore). The reasons for resorting to different classifications were not known.

Apart from above, State Government continued to provide subsidies in other forms such as ‘Grants-in-Aid’ and ‘Other expenditure’. Illustrative examples are shown below:

- (i) Managerial subsidy to Telangana Scheduled Castes Co-operative Development Corporation (₹50 crore),
- (ii) Power subsidy for industries (₹7 crore);
- (iii) Managerial subsidy to Telangana State Vikalangula Co-operative Corporation (₹4 crore);

As a result, expenditure on subsidies is understated to that extent.

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

The State Government provided an amount of ₹61,400 crore to Local Bodies and other Institutions by way of Grants and Loans in 2021-22, which was higher by ₹7,116 crore than in the preceding year.

Table 2.19: Financial assistance to Local Bodies and Other Institutions

(₹ in crore)					
Name of the Institution	2017-18	2018-19	2019-20	2020-21	2021-22
(A) Local Bodies					
Urban Local Bodies: Municipal Corporations and Municipalities	798	1,542	1,359	3,785	2,698
Panchayat Raj Institutions: Zilla Praja Parishads, Mandal Praja Parishads and Gram Panchayats	6,376	5,996	7,273	8,538	8,521
Total (A)	7,174	7,538	8,632	12,323	11,219
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,000	1,037	965	985	1,032
Development Authorities	291	236	154	246	355
Statutory Corporations	1,071	1,409	1,421	2,632	3,370
Co-operative Institutions	56	229	68	15	167
Non-Governmental Organisations	1,004	775	962	511	600
Other Institutions*	19,820	26,684	32,765	37,572	44,657
Total (B)	23,242	30,370	36,335	41,961	50,181
Total (A+B)	30,416	37,908	44,967	54,284	61,400
Revenue Expenditure	85,365	97,083	1,08,798	1,23,212	1,36,804
Assistance as percentage of Revenue Expenditure	35.63	39.05	41.33	44.06	44.88

Source: Finance Accounts of the years concerned

* Other institutions which received ad-hoc or one-time grants during the year mainly towards investment support scheme (₹14,779 crore), Aasara Pensions (₹5,415 crore), Kalyana Lakshmi (₹2,070 crore), Aasara Pensions to old age persons and widows (₹1,685 crore), Samagra Siksha (₹979 crore), etc. (full details are available in Appendix III of Finance Accounts)

The financial assistance, predominantly in the form of Grants-in-Aid, has been increasing consistently and it doubled over the last five years. The overall increase in comparison to previous year was mainly due to increase in Telangana Dalit Bandhu Scheme by ₹4,442 crore, State Finance Commission Grants to Gram Panchayats by ₹843 crore, Mission Bhagiratha – Urban scheme by ₹550 crore, etc. The decrease in financial assistance

to Urban Local Bodies was mainly due to Finance Commission Grants, which decreased by ₹1,138 crore over the previous year.

Box 2.1: Implementation of recommendations of the 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). However, the Chairman and a member were appointed almost three years later (January 2018) and no formal orders were issued by Government indicating the terms of reference. The State Finance Commission had 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, after six months of commencement of the Financial Year 2020-21. The Government stated (January 2022) that the report of SFC is under examination and the funds were being released based on proportionate population. The Government is yet to accept the recommendations of the first SFC (October 2022).

2.5.3 Capital Expenditure

Capital Expenditure is incurred for acquisition and creation of capital assets. Capital Expenditure during the year 2021-22 (₹28,874 crore) was significantly higher (81 per cent) than that of the preceding year (₹15,922 crore).

2.5.3.1 Major changes in Capital Expenditure

Significant increase or decrease under various Heads of Account in Capital Expenditure during 2021-22 vis-à-vis previous year is shown in *Table 2.20*.

Table 2.20: Capital Expenditure – comparison between 2020-21 and 2021-22

(₹ in crore)

Major Heads of Accounts	2020-21	2021-22	Variation
Increase			
Social Sector			
4210 - Capital outlay on Medical and Public Health	259	498	239
4215- Capital outlay on Water Supply and Sanitation	1,042	5,329	4,287
Economic Sector			
4700 - Capital outlay on Major Irrigation	6,976	12,025	5,049
4875 - Capital outlay on Other Industries	16	679	663
5054 - Capital outlay on Roads and Bridges	1,151	1,759	608
5055 - Capital outlay on Road transport	0	938	938
5475 - Capital outlay on Other General Economic Services	742	1,893	1,151
Decrease			
Social Sector			
4202- Capital outlay on Education, Sports, Art, and Culture	531	49	(-) 482

Major Heads of Accounts	2020-21	2021-22	Variation
Economic Sector			
4406 - Capital outlay on Forestry and Wildlife	161	134	(-) 27
4435 - Capital outlay other Agricultural Programmes	38	5	(-) 33

Source: Finance Accounts of the years concerned

The increase in Capital outlay was mainly attributable to sharp increase in investments by ₹9,015 crore under Major Heads of Major Irrigation, Water Supply and Sanitation, Roads and Bridges, Road transport, etc., as discussed in subsequent *paragraph 2.5.3.2*.

The net higher expenditure under ‘other General Economic Services’ was due to increased disbursements towards Financial Support for Infrastructure Development (₹1,281 crore), towards Special Development Fund for welfare and development activities (₹981 crore) and Constituency Development Programme (₹300 crore) and decreases in other Special Development Fund for welfare and development activities (₹515 crore) under Other Expenditure.

Further, there was an increase (₹736 crore) in expenditure on Mission Bhagiratha scheme during the year 2021-22 (₹1,500 crore) when compared to the previous year (₹764 crore). However, Capital Expenditure decreased under few schemes / programmes like Civil works under Samagra Shiksha (₹429 crore), Pradhan Mantri Gram Sadak Yojana (₹48 crore) and Ware Housing Infrastructure Fund (₹33 crore).

Our analysis of the data pertaining to the five-year period of 2017-22 revealed that major Capital expenditure occurred on the following schemes / sub-heads:

Table 2.21: Major schemes / sub-heads where Capital Expenditure was significant during the past five years

Social Services (₹ in crore)		Economic Services (₹ in crore)	
Mission Bhagiratha	5,945	Kaleshwaram Project	13,587
National Rural Drinking Water Programme	1,812	Palamuru – Ranga Reddy Lift Irrigation Scheme	12,396
Swachh Bharath Mission (Gramin)	1,309	Investment in DISCOMs	7,121
		Special Development Fund for welfare and development activities	3,381
		Mission Kakatiya	3,106

Source: Finance Accounts of last five years

Further, Government has been also implementing its flagship projects/schemes like Kaleshwaram and Mission Bhagiratha, etc., through Off-Budget Borrowings (refer to *paragraph 2.7.2* for details) raised by Special Purpose Vehicles.

Box 2.2: Capital Expenditure on purchase of surgical consumables

For the past few years, expenditure on purchase of surgical consumables was being incorrectly 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 ₹43 crore was booked under capital (refer to *paragraph 3.4.9.1 (i)*). We observed that the total progressive Capital expenditure as of March 2022 on this account was ₹173 crore. Such classification of Revenue expenditure on consumables as Capital expenditure is incorrect.

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 2022, the State Government's investments stood at ₹30,919 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. Government of Telangana invested an amount of ₹9,093 crore in ten entities during the year 2021-22. There is a sharp rise in the investments made during the year in comparison to a meagre ₹18 crore in 2020-21. The major investments are made in six institutions as shown below:

Table 2.22: Major investments made by Government during 2021-22

Sl.No.	Investment	Amount (₹ in crore)
1	Telangana Drinking Water Supply Corporation	3,708
2	Kaleshwaram Irrigation Project Corporation Limited	3,072
3	Telangana State Water Resources Infrastructure Development Corporation	1,095
4	Telangana State Road Development Corporation	573
5	Telangana State Road Transport Corporation	365
6	Telangana State Industrial Infrastructure Corporation	269
		9,082

Source: Finance Accounts

As the Finance Department did not provide files pertaining to investments made during the year, Audit is unable to ascertain the reasons for sudden sharp rise in investments in these institutions. The possibility that these investments are intended to serve as margin money/principal repayment/interest payment for the Off-Budget Borrowings taken by these institutions on behalf of the Government cannot be ruled out (refer to **paragraph 2.7.2** for further details). Audit noticed that the Government has invested ₹1,094 crore Telangana State Water Resources Infrastructure Development Corporation Limited during the year specifically for principal repayment and interest payment to the lending banks and financial institutions.

Year-wise details of investments made by the Government are shown in **Table 2.23**:

Table 2.23: Return on Investment

Investment/return/ cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore)	16,365	19,754	21,807	21,826	30,919
Return on Investment (₹ in crore)	101	94	115	94	52
Return on investment in <i>per cent</i>	0.62	0.48	0.53	0.43	0.17
Interest paid on Government Borrowings (₹ in crore)	10,836	12,586	14,386	16,841	19,161
Average rate of interest on Government Borrowings (<i>per cent</i>)	7.21	6.93	6.70	6.60	6.39
Difference between return on investment [#] and interest on Government borrowings (₹ in crore)	(-10,735)	(-12,492)	(-14,271)	(-16,747)	19,109
Difference between return and interest rate (<i>per cent</i>)	(-6.59)	(-6.45)	(-6.17)	(-6.17)	(-6.22)

Source: Finance Accounts of the years concerned

[#] Investment at the end of the year

Return on Investment (RoI) in these Companies/Corporations has been consistently low and was lowest in 2021-22. The investments made by the Government have increased from ₹16,365 crore in 2017-18 to ₹30,919 crore in 2021-22, registering an increase of 88.93 *per cent* over the past five years. Low RoI reflects poor performance of those Companies / Corporations, and it is a matter of concern.

Loans advanced and Investments made in Companies, Corporations and Co-operatives, which are loss making and whose net worth are completely eroded, affect the quality of Capital Expenditure. There were 17 Public Sector Undertakings whose net worth has been completely eroded due to accumulated losses leading to negative net worth of (-)₹50,476 crore (refer to *paragraph 5.7.2* for further details). As per finance accounts, the State Government has an investment of ₹20,298 crore in six³¹ 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 2.24* presents the details of outstanding Loans and Advances during the years 2017-22.

Table 2.24: Quantum of loans disbursed and recovered during 2017-18 to 2021-22

(₹ in crore)

Quantum of loans disbursed and recovered	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	9,798	15,869	24,509	33,147	43,957
Amount advanced during the year	6,209	8,706	8,700	10,868	8,469
Amount recovered during the year	138	66	62	58	48
Closing Balance of the loans outstanding	15,869	24,509	33,147	43,957	52,379
Net addition	6,071	8,640	8,638	10,810	8,421
Interest received	84	7	6	6	6
Interest rate on Loans and Advances given by the Government	0.53	0.03	0.02	0.01	0.01
Rate of Interest paid on the outstanding borrowings of the Government	7.21	6.94	6.70	6.60	6.39
Difference between the rate of interest received and interest paid (<i>per cent</i>)	(-)6.68	(-)6.91	(-)6.68	(-)6.59	(-)6.38

Source: Finance Accounts of the years concerned

- Loans and Advances given decreased by ₹2,399 crore in comparison to previous year. Disbursement on account of Loans and Advances was only 35 *per cent* of the amount projected in the Budget Estimates (₹23,256 crore).
- Major portion of loans were disbursed for projects relating to Water Supply, Sanitation, Housing and Urban Development (₹4,202 crore)³², Irrigation and Flood Control

³¹ (i) Two DISCOMs: ₹17,619 crore, (ii) Telangana State Road Transport Corporation: ₹1,584 crore, (iii) Telangana State Water Resources Infrastructure Development Corporation Limited: ₹1,095 crore, (iv) Telangana Rajiv Swagruha Corporation Limited: ₹0.03 crore, and (v) Telangana State Housing Corporation Limited: ₹0.25 crore

³² Mainly on account of Loans to Telangana Drinking Water Supply Corporation Limited (₹1174.75 crore); Loans to Hyderabad Metropolitan Water Supply and Sewerage Board (₹1,239.52 crore) and Loans to Financial Institutions (₹1,485.61 crore)

(₹1,884 crore)³³, Agriculture and allied services (₹1,184 crore)³⁴, Energy (₹443 crore)³⁵, Health and Family Welfare (₹360 crore)³⁶, Industry and Minerals (₹213 crore)³⁷, and Road Transport (₹154 crore)³⁸.

- Out of the ₹8,469 crore loans provided during 2021-22, an amount of ₹7,338 crore (*Appendix 2.1*) was towards interest payments/principal repayments in respect of loans taken by 13 corporations for implementing various Government schemes. Finance Department did not provide files pertaining to Loans provided to the institutions (refer to *paragraph 2.7.2* for further details). Hence, there is a possibility that these loans relate to principal repayment or interest payment on Off-Budget Borrowings (OBBs). As such, these loans might not reflect a true picture of Government assets.

State Government may modify depiction of repayment liabilities of Off-Budget Borrowings as loans advanced to these institutions.

- Further, the Government continued to provide loans (₹360 crore in 2021-22) to Arogyasri Health Care Trust (AHCT), which does not have any definite stream of revenue resources of its own for loan repayment. Apart from AHCT, loans given to two other institutions are depicted in *Table 2.25* below.

Table 2.25: Loans given during 2017-18 to 2021-22 to institutions for repayment of loans / which do not have definite stream of revenue resources

(₹ in crore)

Sl. No.	Entity	Amount (as of March 2022)
Loans given to entities for loan repayment in connection with implementation of Government Schemes		
1	Telangana Drinking Water Supply Corporation Limited for Mission Bhagiratha	9,147
2	Hyderabad Metropolitan Water Supply and Sewerage Board	3,796
3	Telangana State Sheep and Goat Development Cooperative Federation Limited	2,901
4	Power Finance Corporation Bonds	1,626
5	Telangana State Industrial Infrastructure Corporation	538
Loans given to entities, not having definite stream of revenue resources for repayment of loans		
1	Telangana Scheduled Castes Cooperative Development Corporation Ltd	3,000
2	Arogyasri Health Care Trust and TS Vaidya Vidhan Parishad	2,866
3	Telangana Scheduled Tribes Cooperative Finance Corporation Limited	1,700

Source: Finance Accounts

- Government has not been stipulating terms of loans like interest rates, duration of repayment, number of instalments, etc. while providing loans to institutions. Government has also informed that loan balances as depicted in Finance Accounts are yet to be confirmed from the entities (November 2022).

³³ Mainly on account of Loans to Kaleshwaram Irrigation Project Corporation Limited (₹1,442.29 crore) and Telangana State Water Resources Infrastructure Development Corporation Limited (₹442.18 crore)

³⁴ Mainly on account of Loans to Telangana State Sheep and Goat Development Cooperative Federation Limited (₹734.09 crore) and Loans to Horticulture Development Corporation (₹219.33 crore)

³⁵ On account of interest / repayment of loans of Power Finance Corporation Bonds (₹442.80 crore).

³⁶ On account of Loans to Aarogyasri Health Care Trust (₹360.06 crore)

³⁷ On account of Loans of Telangana State Industrial Infrastructure Corporation (₹213.31 crore)

³⁸ On account of Loans to Telangana State Road Transport Corporation (₹154.32 crore)

- Overall, Government was able to recover loans primarily from Government Servants only. This constituted 99 per cent (₹47 crore) of the recovered loans (₹48 crore). The recovery from major institutions was a meagre ₹0.25 crore under ‘Loan assistance for integrated Co-operative Development projects’.
- Even in respect of interest, out of ₹6.11 crore received, ₹6.00 crore (98 per cent) was from Government servants only. A paltry sum of ₹0.11 crore interest was from Credit Co-operatives.

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

- State Government has provided ₹1,240 crore during 2021-22 as Loan to Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB), even though HMWSSB submitted Annual Accounts for the period from 2010-11 to 2019-20 only in December 2022. The cumulative loan provided to HMWSSB was ₹8,888 crore as of March 2022 (refer to *paragraph 4.14* for further details). Similarly, Telangana State Vaidya Vidhana Parishad whose accounts were in arrears since 2014-15 has been provided with a cumulative loan of ₹528 crore as of March 2022.

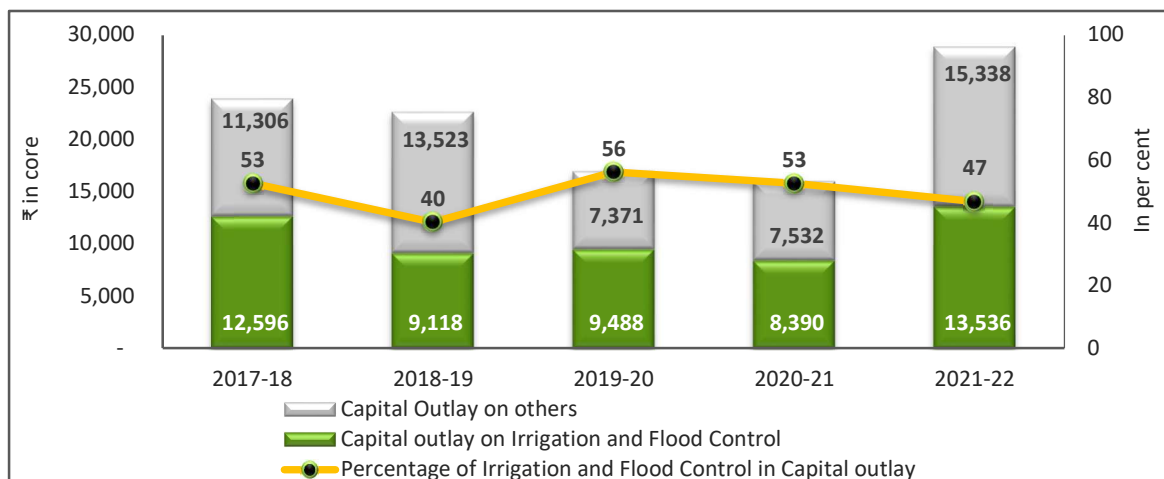
State Government may ensure submission of Annual Accounts by institutions before extending any further loans.

2.5.3.4 Capital employed in Ongoing/incomplete Projects

Capital employed in ongoing/incomplete Projects and Works impinges on the quality of expenditure if there are delays in completion. Further, funds borrowed for project implementation, if any, also results in extra burden of interest liabilities.

During the past five years, while the Capital outlay (₹1,08,198 crore) ranged from 11 per cent to 21 per cent of the Total Expenditure in each year, nearly half (i.e., ₹53,128 crore, 49 per cent) of total Capital outlay during these five years was on Irrigation and Flood Control.

Chart 2.15: Share of Irrigation and Flood control in capital outlay



Source: Finance Accounts of the years concerned

As per the information furnished by the State Government, 759 projects / works were incomplete, and an expenditure of ₹1,09,612 crore was incurred on them as of 31 March 2022. The age-wise and Department/wing wise profile is shown in **Table 2.26** and **Table 2.27**.

Incomplete Project / work commenced in the year	No. of incomplete Projects / works	Estimated cost (₹ in crore)	Expenditure (₹ in crore)
up to 2013-14	29	46,277	1,04,172
2014-15	7	7	3
2015-16	74	235	134
2016-17	186	898	552
2017-18	170	3,874	2,890
2018-19	195	795	785
2019-20	46	383	214
2020-21	26	1,922	814
2021-22	26	210	48
Total	759	54,601	1,09,612

Department / Wing	No. of incomplete projects / works	Estimated cost (₹ in crore)	Expenditure (₹ in crore)
Roads	690	3,015	2,313
Bridges	20	47	21
Buildings	32	1,654	1,242
Irrigation	11	47,538	1,04,573
Others	6	2,347	1,463
Total	759	54,601	1,09,612

Source: Finance Accounts

There were 11 incomplete irrigation projects (commenced between 2004 to 2018) to be completed by the year 2022. The original cost of these projects has increased from ₹47,538 crore to ₹1,21,534 crore i.e., an escalation by ₹73,996 crore (156 per cent). An expenditure of ₹1,04,573 crore was incurred on these projects as of March 2022. In addition to this, the Government has a pending liability of ₹3,512 crore in respect of six incomplete irrigation projects.

Irrigation projects are taken up on the assumption that the benefits of the project will outweigh the costs. Non-completion of projects deprives the State of the 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 investments in Irrigation and Flood control.

In respect of other Departments, 748 projects / works with an estimated cost of ₹7,063 crore remained incomplete, and an expenditure of ₹5,039 crore was incurred as of March 2022 on these delayed projects. In addition to this, as per Appendix IX of the Finance Accounts, the Government has a pending liability of ₹3,841 crore in respect of 194 other ongoing projects / works³⁹.

Inordinate delays in the completion of these projects / works not only keep the financial burden of the Government increasing year after year, but also depriving the public of the intended benefits.

³⁹ (i) 159 Road works with pending payment of ₹59 crore (ii) 22 Bridge works with pending payment of ₹0.32 crore; and (iii) 13 irrigation projects with pending payment of ₹3,782 crore.

2.5.3.5 Implementation of Ujwal DISCOM Assurance Yojana – delay in 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 released only ₹7,723 crore⁴⁰ to DISCOMs leaving a commitment of ₹1,200 crore⁴¹ undischarged. The Energy Department also issued orders for takeover of further losses as shown in **Table 2.28**:

Table 2.28: 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
2	10 per cent of the losses of 2017-18	August and December 2018	549
3	25 per cent of the losses of 2018-19	August 2019 and January 2020	2,005
4	50 per cent of the losses of 2019-20	November 2020	3,028
Total			5,892

Source: Government Orders concerned

However, as per the Accounts of the State Government, no amounts were released during the years 2018-19 to 2021-22. Thus, the accumulated commitment of ₹7,092 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 2022.

The Government informed (November 2022) that an amount of ₹6,646 crore was released to DISCOMs in June 2022 and orders were issued (June 2022) to deposit another ₹2,279 crore into DISCOMS from Pool Account and the entire liability on UDAY has been discharged.

⁴⁰ 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

⁴¹ Calculation: ₹8,923 crore (-) ₹7,723 crore

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 States⁴² is given below:

Table 2.29: Expenditure priority of the State regarding 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 (2017-18)	16.13	36.65	31.17	67.82	15.56	15.17	5.09
Telangana (2017-18)	15.42	39.36	33.20	72.56	26.03	10.54	4.59
Average of General States (2021-22)	15.84	38.31	28.44	66.74	14.41	14.66	6.20
Telangana (2021-22)	15.17	36.80	37.11	73.91	21.44	8.14	4.19

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

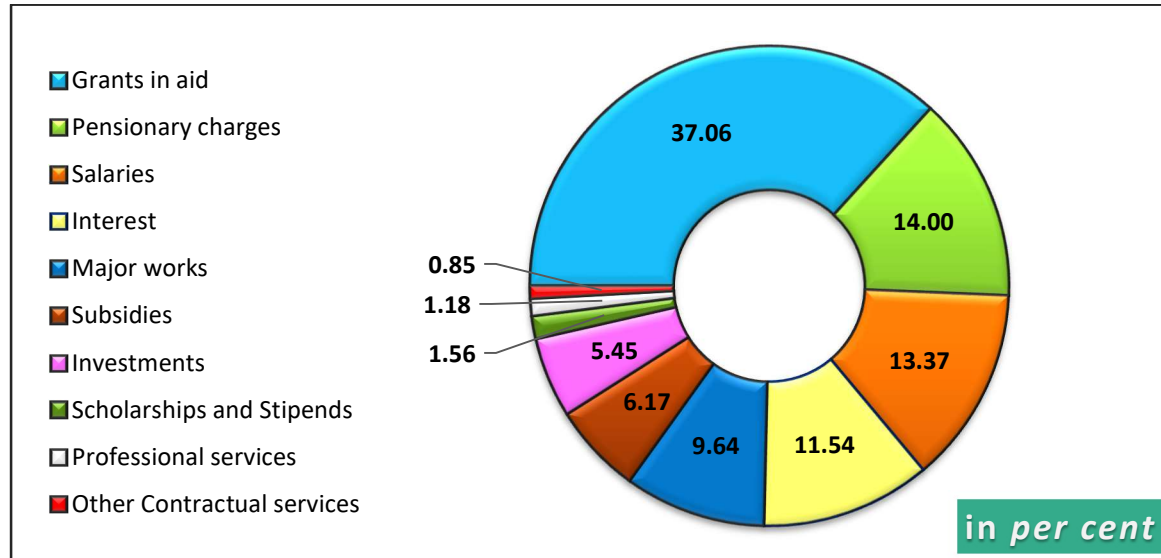
- The Total Expenditure of Telangana as a percentage of Gross State Domestic Product was marginally lower.
- The proportion of expenditure on Development (i.e., expenditure on Economic and Social Sectors) to Total expenditure has been higher than the average of other General States. This shows that the State gave high priority to Development Expenditure.
- Capital Expenditure, as a percentage of Total Expenditure decreased from 26 per cent in 2017-18 to 21 per cent in 2021-22. However, it is still higher (by almost 7 per cent) than the average of General States (14 per cent).
- The State has, been persistently trailing in respect of expenditure on Education (by 6 per cent) and Health (by 2 per cent) during 2021-22 when compared to the other General States.

⁴² Andhra Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal

2.5.5 Object-wise expenditure

The following chart on object-wise expenditure gives the purpose or object of expenditure as a share of Total Expenditure.

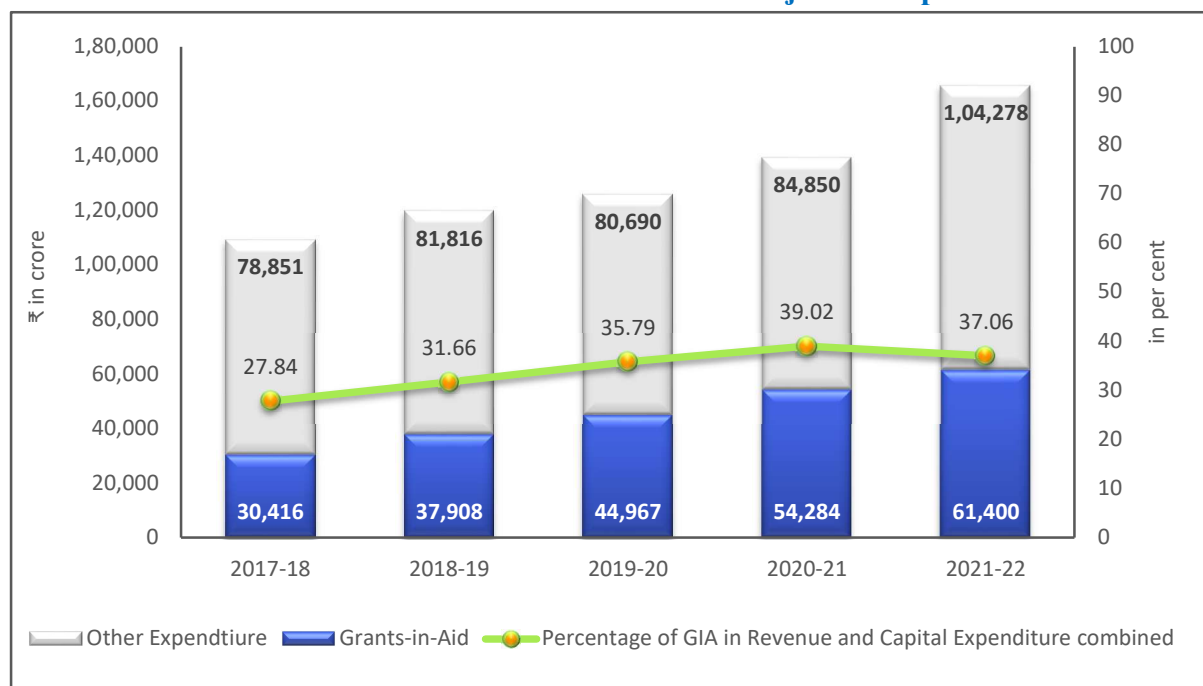
Chart 2.16: Object-wise expenditure



Source: Finance Accounts

Most of the expenditure was in the form of Grants-in-Aid followed by expenditure on Pensions, Salaries, and Interest. The share of Grants-in-Aid in the revenue expenditure is increasing year after year as mentioned in **Table 2.19**. It's share also increased from 28 per cent in 2017-18 to 37 per cent in 2021-22 as shown in **Chart 2.17** below on account of increasing expenditure on schemes like Rythu Bandhu, Dalit Bandhu, etc.

Chart 2.17: Share of Grants-in-Aid and other objects of expenditure



Source: Finance Accounts of the years concerned

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 2017-18 to 2021-22 are given in **Table 2.30**.

Table 2.30: Component-wise net balances (increase (+) / decrease (-)) in Public Account (as of 31 March of the year)

(₹ in crore)

Sector and Sub-Sector	2017-18	2018-19	2019-20	2020-21	2021-22
Small Savings, Provident Funds, etc.	976	845	783	945	1,067
Reserve Funds					
a) Reserve Funds bearing interest	(-41)	288	3,226	226	(-1,634)
b) Reserve Funds not bearing interest	319	1,242	1,127	548	580
Deposits					
a) Deposits bearing interest	216	121	140	180	72
b) Deposits not bearing interest	5,645	2,976	1,266	4,901	1,151
c) Advances	(-1)	3	0.01	0	0.01
Suspense and Miscellaneous					
a) Suspense	(-39)	113	292	(-229)	755
b) Other Accounts	(-534)	(-773)	5	(-3)	(-3)
c) Accounts with Governments of Foreign Countries	(-0.02)	(-0.03)	(-0.02)	(-0.02)	(-0.02)
d) Miscellaneous	--	--	--	--	--
Remittances					
a) Money Orders and other Remittances	(-116)	126	34	(-5)	583
b) Inter-Governmental adjustment account	1,422	(-11)	(-27)	(-27)	34
Total	7,847	4,930	6,846	6,536	2,605

Source: Finance Accounts of the years concerned

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

The huge decrease in Reserve Funds bearing interest in 2021-22 was due to higher outgo under State Disaster Risk Management Fund.

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 ₹11,761 crore lying in these Funds as on 31 March 2022, an amount of ₹7,975 crore was invested in Government of India Securities, leaving a net accumulated balance of ₹3,786 crore⁴³. The transactions during the year 2021-22 under major reserve funds are detailed below.

⁴³ Reserve Funds bearing Interest: ₹2,196.09 crore and Reserve Funds not bearing Interest: ₹1,590.20 crore

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.

As per the guidelines⁴⁴, 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, ₹1,378 crore was to be contributed in 2021-22 on the outstanding liabilities of ₹2,75,638 crore as at the end of 2020-21. However, the State Government did not make any contribution in 2021-22. An interest of ₹472 crore was earned through the amounts invested from Consolidated Sinking Fund. As of 31 March 2022, the balance in Sinking Fund was ₹6,581 crore, of which ₹6,541 crore was invested.

The State Government has not been contributing to the CSF on a regular basis as shown below:

Table 2.31: Contributions required to be made to Consolidated Sinking Fund (CSF) and made during the past five years

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding liabilities at the end of previous year	1,34,738	1,65,849	1,96,963	2,32,181	2,75,638*
Contribution to be made	674	829	985	1,161	1,378
Contribution made by the State Government	Nil	500	300	Nil	Nil
Interest accrued on investments made from out of CSF	322	352	450	468	472

Source: Finance Accounts of the years concerned

* This excludes back-to-back loan of ₹2,380 crore received in lieu of GST compensation shortfall.

As against ₹5,027 crore required to be contributed to the CSF during the past five years, the Government contributed only ₹800 crore in two years viz., 2018-19 and 2019-20, leaving an aggregate shortfall of ₹4,227 crore. The fund is to be used for amortization of market borrowings, loans and debt obligations. Persistent non-contribution / short contribution to the CSF defeats the very purpose of fund.

2.6.2.2 State Disaster Risk Management Fund

The Fifteenth Finance Commission (XV FC) has recommended that the total States allocation for State Disaster Risk Management Fund (SDRMF) should be sub-divided into funding windows that encompasses the full disaster management cycle, i.e., (i) 80 *per cent* of the total allocation towards State Disaster Response Fund (SDRF) and (ii) 20 *per cent* towards State Disaster Mitigation Fund (SDMF), creation of which was advocated by National Disaster Management authority. SDMF is a part of SDRMF.

The XV FC recommended a grant of ₹449 crore from GoI to SDRMF and ₹150 crore from State Government in 75:25 *per cent* ratio. Since, GoI released only ₹359 crore, the State Government also released only ₹120 crore as its share. As a result of this, SDRMF is underfunded to an extent of ₹120 crore in the year 2021-22.

⁴⁴ G.O.Ms.No.3, Finance (DCM), dated 11 June 2014 on Revised Scheme of Consolidated Sinking Fund

(i) State Disaster Response Fund:

GoI replaced the erstwhile Calamity Relief Fund with the 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 SDRF had a balance of ₹1,555 crore on 1 April 2021. During 2021-22, GoI contributed ₹359 crore and State Government contributed its share of ₹120 crore to the fund. Out of this receipt of ₹479 crore, an amount of ₹120 crore (Central share ₹90 crore and State Share ₹30 crore) was accounted towards SDMF, as discussed in the *sub-paragraph (ii)* below. Out of ₹1,914 crore available in SDRF, an amount of ₹1,306 crore was utilised, leaving a balance of ₹608 crore in the Fund.

(ii) State Disaster Mitigation Fund (SDMF):

The SDMF fund is exclusively meant for mitigation projects in respect of disasters covered under SDRF / National Disaster Response Fund (NDRF). The Mitigation Fund shall be used for those local level and community-based interventions to reduce the risks and promote environment-friendly settlements and livelihood practices.

An amount of ₹120 crore was transferred from the receipts under SDRF to the Fund, being 20 *per cent* of the total receipt of ₹599 crore in previous year i.e., 2020-21. However, ₹96 crore (Central share ₹72 crore and State Share ₹24 crore) to be transferred from out of ₹479 crore receipts under SDRF during 2021-22 was not transferred to SDMF resulting in shortfall to that extent.

No expenditure was incurred from out of SDMF during the year.

2.6.2.3 Guarantee Redemption Fund

As per guidelines of Reserve Bank of India, Government of Telangana created⁴⁵ (June 2014) Guarantee Redemption Fund (GRF) 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* would be achieved during the subsequent five years. The Guarantee Redemption Fund is to be gradually increased to a desirable level of five *per cent*. Accordingly, ₹676.41 crore was to be contributed in 2021-22 on the outstanding value (₹1,35,283 crore) of Guarantees. State Government did not make any contribution in the year 2021-22.

⁴⁵ G.O.Ms. No. 4, Finance (DCM), dated 11 June 2014

The State Government has not been contributing to the GRF on a regular basis as shown below:

Table 2.32: Contributions required to be made to Guarantee Redemption Fund (GRF) and made during the past five years

(₹ in crore)

Sl. No.	Details	2017-18	2018-19	2019-20	2020-21	2021-22
1	Outstanding Guarantees	41,892	77,713	89,600	1,05,007	1,35,283
2	Contribution to be made	209	389	448	525	676
3	Contribution made	Nil	200	300	Nil	Nil
4	Minimum level at 3 per cent	1,257	2,331	2,688	3,150	4,058
5	Desired level at 5 per cent	2,095	3,886	4,480	5,250	6,764
6	Amount available in GRF*	587	838	1,225	1,325	1,431
7	Percentage of GRF to outstanding Guarantees	1.40	1.08	1.37	1.26	1.06
8	Shortfall to minimum level (Row 4 – Row 6)	670	1,493	1,463	1,825	2,627

Source: Finance Accounts of the years concerned

* includes interest earned through investments

There is a shortfall of ₹2,627 crore with reference to minimum level and a shortfall of ₹5,333 crore with reference to desired level of amount to be contributed to the fund.

- 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 ₹340 crore in 2018-19 and ₹6 crore in 2020-21 as Guarantee Commissions. These amounts were not transferred to GRF in the subsequent years as required.

Government informed (November 2022) that the contributions to GRF are being made after considering the Ways and Means position. Efforts were on to make good the short contribution and to reach the desirable level as per the fund guidelines.

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 ₹2,257 crore at the beginning of the year 2021-22. During the year, no amount was credited into the State Compensatory Afforestation Fund. An amount of ₹807 crore was disbursed out of the fund, leaving a balance of ₹1,450 crore at the end of the year. Further details are given in *Paragraph 4.2*.

2.7 Debt Management

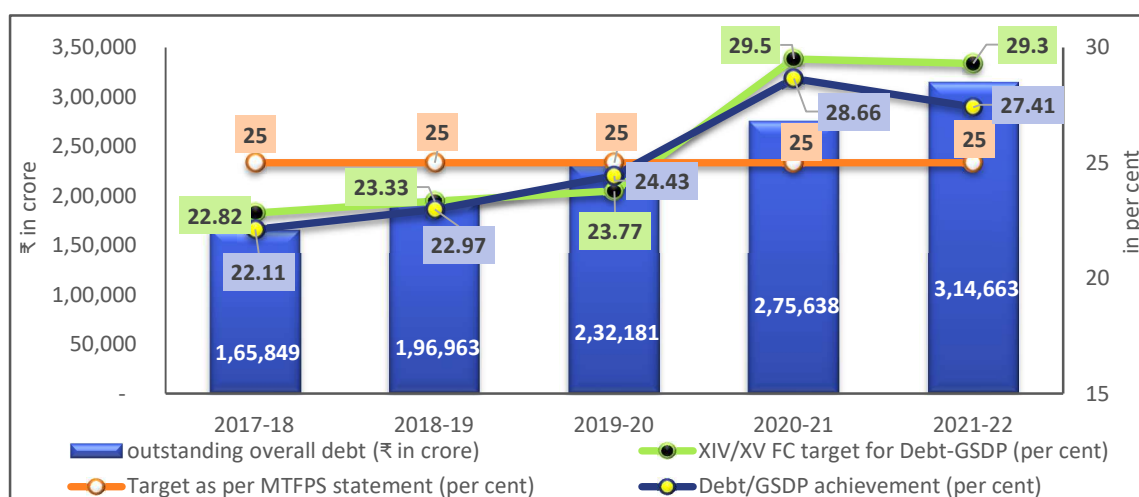
Debt management is the process of establishing and executing a strategy for managing the Government debt in order to raise the required amount of funding, mitigate risk and achieve cost objectives. It also aims to achieve sovereign debt management goals that the Government has set through Acts or Annual 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.

The total outstanding debt of the State Government at the end of March 2022 was ₹3,21,612 crore⁴⁶. The trend of outstanding debt and ratio of debt to Gross State Domestic Product during the period 2017-22 is given in *Chart 2.18*.

Chart 2.18: Trend of total outstanding debt



Source: Finance Accounts

Note : The figures of ₹2,75,638 crore in 2020-21, and ₹3,14,663 crore 2021-22 excludes ₹2,380 crore and ₹6,949 crore of back-to-back loans received from GoI in lieu of GST compensation shortfall and has not been taken for calculation of debt ratio.

- The outstanding liabilities⁴⁷ grew by 14 per cent over the previous year and it nearly doubled within last five years.
- To foster transparency and to avoid non-transparent off-budget liabilities, the XV Finance Commission has recommended for higher borrowing limits to the State Governments. While the XIV FC recommended a limit around 23 per cent for Telangana, the XV FC increased the limit to 29 per cent. As per the Accounts, the State Government has achieved the target as prescribed by XV FC restricting the Debt – Gross State Domestic Product Ratio to 27 per cent. However, the State exceeded the limit of 25 per cent as targeted in Medium Term Fiscal Policy Statement presented to the State Legislature along with budget documents every year.
- This ratio, however, must be read in conjunction with the *paragraph 2.7.2* on Off-Budget Borrowings (OBB) and its impact on total liabilities.

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

⁴⁶ This includes ₹6,949 crore of back-to-back loans from GoI in lieu of GST compensation shortfall

⁴⁷ excluding back-to-back loans in lieu of GST compensation shortfall

Domestic Product and the actual quantum of debt available to the State during 2017-22 are shown in **Table 2.33**.

Table 2.33: Component-wise Debt trends

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22	
Outstanding overall Debt	1,65,849	1,96,963	2,32,181	2,78,018*	3,21,612*	
Public Debt	Internal Debt	1,34,287	1,56,933	1,86,959	2,24,379	2,63,041
	Loans from Government of India	8,631	8,231	7,999	10,174*	14,448*
Off-Budget Borrowings	NA	3,160	70,688	95,182	1,18,955	
Public Account Liabilities	22,931	31,799	37,223	43,465	44,123	
Rate of growth of outstanding debt over previous year (percentage)	23.09	18.76	17.88	19.74	15.68	
Gross State Domestic Product (GSDP)	7,50,050	8,57,427	9,50,287	9,61,800	11,48,115	
Total Outstanding Debt/GSDP (per cent)	22.11	22.97	24.43	28.91	28.01	
Total Debt Receipts	1,06,641	1,17,715	1,43,870	1,87,503*	1,96,373*	
Total Debt Repayments	78,203	91,080	1,08,652	1,41,666	1,52,779	
Total Debt available	28,438	26,635	35,218	45,837	43,594	
Debt Repayments/Debt Receipts (percentage)#	73.33	77.37	75.52	75.55	77.80	

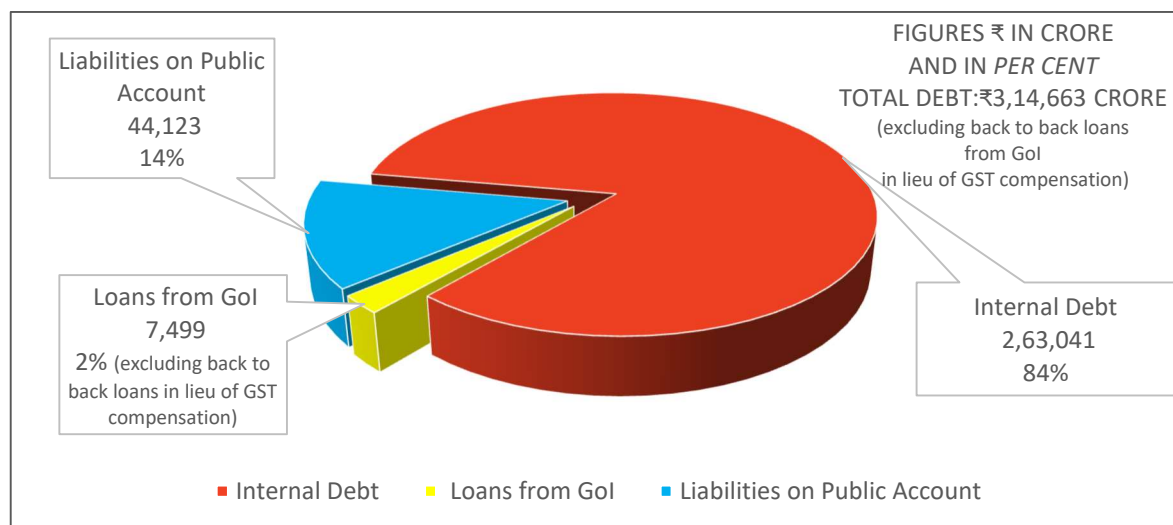
Source: Finance Accounts; NA: Not Available

* This includes back-to-back loans ₹2,380 crore in respect of 2020-21 and ₹6,949 crore in respect of 2021-22 received in lieu of GST compensation shortfall.

excluding Ways and Means Advances of ₹22,922 crore in 2017-18, ₹21,823 crore in 2018-19, ₹37,248 crore in 2019-20, ₹69,454 crore in 2020-21 and ₹67,274 crore in 2021-22 respectively, the percentages would be 66.03, 72.22, 66.96, 61.17 and 66.23 per cent respectively

The ratio of outstanding Debt/GSDP has decreased by almost one *per cent* when compared to previous year. Excluding the back-to-back loans, the Debt/GSDP ratio would be 27 *per cent*. The breakup of outstanding overall Debt at the end of March 2022 is shown in **Chart 2.19**.

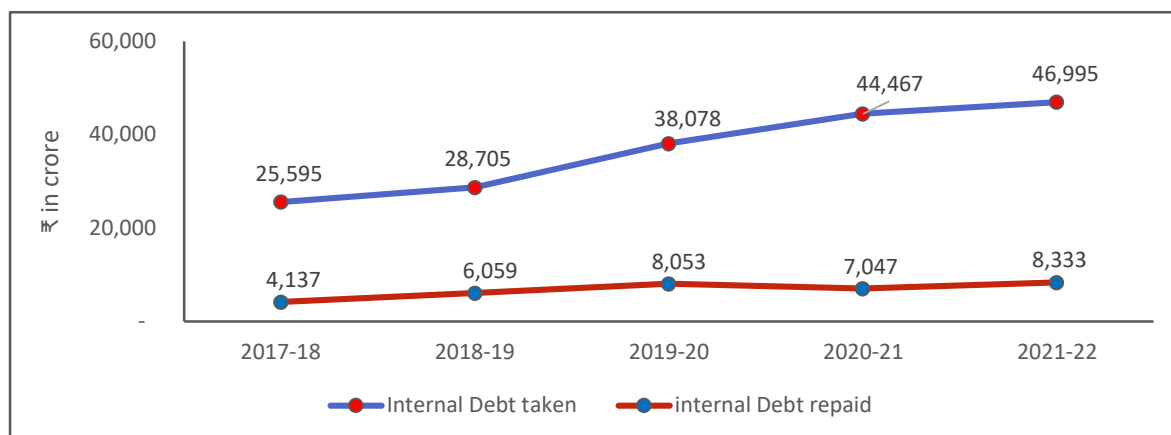
Chart 2.19: Break up of outstanding overall Debt at the end of March 2022



Source: Finance Accounts

The comparative trend of internal debt received and repaid are shown in **Chart 2.20**.

Chart 2.20: Comparative trend of internal debt taken and repaid



Source: Finance Accounts

Note: excluding Ways and Means Advances

2.7.1.1 Components of Fiscal Deficit and its financing pattern

Fiscal Deficit represents the total financing that the State requires 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 2.34**.

Table 2.34: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

S.No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit						
1	Revenue Surplus (+) / Deficit (-)	3,459	4,337	(-)6,254	(-)22,298	(-)9,335
2	Net Capital Expenditure	(-)23,902	(-)22,641	(-)16,859	(-)15,922	(-)28,874
3	Net Loans and Advances	(-)6,071	(-)8,640	(-)8,638	(-)10,810	(-)8,421
4	Net Interstate Settlement	(-)186	(-)5	(-)8	(-)8	(-)8
Gross Fiscal Deficit		(-) 26,700	(-)26,949	(-)31,759	(-)49,038	(-)46,638
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	21,828	22,184	30,697	38,782	39,256
2	Special Securities issued to National Small Savings Fund	(-)799	(-)814	(-)827	(-)827	(-)827
3	Loans from Financial Institutions and other loans	429	1,276	155	(-)535	233
4	Loans from Government of India	224	(-)400	(-)232	2,175 ^s	4,273 ^s
5	Small Savings, PF, etc.	976	845	783	945	1,067
6	Deposits and Advances	5,860	3,100	1,406	5,081	1,223
7	Suspense and Miscellaneous	(-)573	(-)660	297	(-)232	752
8	Remittances	1,306	115	7	(-)32	617
9	Reserve Fund	278	1,530	4,353	774	(-)1,054
10	Net Contingency Fund	0	(-)2.01	(-)2.11	4.21	(-)0.05
11	Total	29,529	27,174	36,637	46,135	45,540
12	Increase (-) /Decrease (+) in Cash Balance	(-)2,829	(-)225	(-)4,878	2,903	1,098
Gross Fiscal Deficit financed (11+12)		26,700	26,949	31,759	49,038	46,638

Source: Finance Accounts

^s This is the net figure of Receipts of ₹2,665 crore in 2020-21 and ₹4,783 crore in 2021-22 repayable by State Government.

Receipts and Disbursements under components financing the Fiscal Deficit for the year 2021-22 are detailed in **Table 2.35**.

Table 2.35: Receipts and Disbursements under individual components financing the Fiscal Deficit

(₹ in crore)

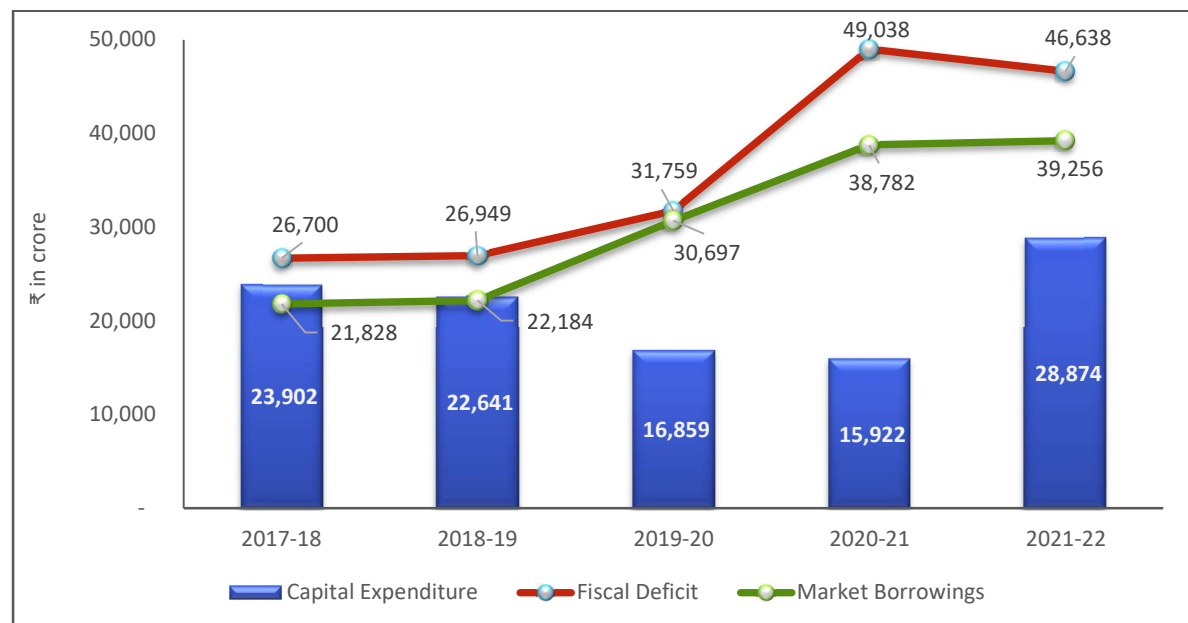
S.No.	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	45,716	6,460	39,256
2	Special Securities issued to National Small Savings Fund	0	827	(-)827
3	Loans from Financial Institutions	1,278	1,045	233
4	Loans from Government of India	4,783 ^s	510	4,273
5	Small Savings, PF, etc.	2,659	1,592	1,067
6	Deposits and Advances	73,309	72,086	1,223
7	Suspense and Miscellaneous	2,567	1,815	752
8	Remittances	1,130	513	617
9	Reserve Funds	1,096	2,150	(-)1,054
10	Net Contingency Fund	0	0.05	0
11	Overall Deficit	1,32,538	86,998	45,540
12	Increase (-) / Decrease (+) in Cash Balance	...	...	1,098
13	Gross Fiscal Deficit	...	...	46,638

Source: Finance Accounts

^s This figure includes ₹4,569 crore back-to-back loans in lieu of GST compensation shortfall, which need not be repaid by the State Government

In 2021-22, Capital Expenditure accounted for only 74 per cent of Market Borrowings and 62 per cent of Fiscal Deficit (**Table 2.34**). Further, 79 per cent of the Fiscal Deficit was financed through Market Borrowings.

Chart 2.21: Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings



Source: Finance Accounts

Ideally, market borrowing should be utilised for creation of capital assets as Capital Expenditure. Upto 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 three years, we noticed that Market borrowings were much higher than the Capital expenditure indicating that they were utilised for financing Fiscal Deficit.

2.7.2 Off-Budget Borrowings

Fiscal Responsibility and Budget Management (FRBM) Act and the Rules made thereunder prescribe the State Governments to pronounce rolling targets in respect of (i) Revenue Deficit as a *percentage* of Total Revenue Receipts, (ii) Fiscal Deficit as a *percentage* of GSDP and (iii) Outstanding total liabilities as a *percentage* of GSDP. These targets impose restrictions on the Government's revenue spending as well as borrowings during the year as well as outstanding total liabilities at the end of a financial year.

Off-Budget Borrowings (OBB) or Extra-Budgetary Resources (EBR) refers to financial resources that are raised to meet expenditure requirements of the Government but are not reflected in Government accounts. OBB are generally mobilised through Government owned or controlled Public Sector Undertakings (PSUs), Special Purpose Vehicles (SPVs), Autonomous Bodies (ABs), or Departmental Commercial Undertakings (DCUs). These institutions mobilise resources by borrowing from the market on behalf of the Government. The Government would generally repay debt and/or service 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. Further, Government extends Guarantees to such borrowings.

As per the State FRBM Act, the term 'total liabilities' also includes 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.

The Fifteenth Finance Commission (XV FC) in its report (November 2019) for the year 2020-21, recommended that in the interest of transparency, both the Union and the States need to make full disclosure of extra-budgetary borrowings; clearly identify outstanding extra-budgetary borrowings and eliminate them in a time-bound manner with transparent reporting of deficit and debt. The XV FC in its main report (October 2020) recommended that Governments may observe strict discipline by resisting further additions to the stock of Off-budget transactions and contingent liabilities which is against the norms of fiscal transparency and detrimental to fiscal stability. In view of this, XV FC has also allowed higher borrowing limits to foster transparency and to avoid non-transparent liabilities.

The Government of Telangana had total OBB of ₹1,18,955 crore at the end of March 2022 in respect of 12 PSUs and 4ABs. However, the Telangana Government did not specifically disclose the OBB in its budget documents for 2021-22.

Audit collected details of OBB from State Public Sector Undertakings (PSUs) and Autonomous Bodies (ABs) and the same are given below in **Table 2.36**:

Table 2.36: Details of OBB to the end of March 2022

(₹ in crore)

Sl. No.	Particulars	During the year 2021-22	Cumulative Borrowings at the end of March 2022	Value of Guarantees provided by the Government	Audit adopted the least amount as OBB	Remarks
1	OBB in respect of eight PSUs and two ABs on behalf of the Government at the end of March 2022	20,858	95,410	87,412	86,804	Appendix 2.2
2	Four PSUs and two ABs had informed OBB on behalf of State Government in previous years, but informed 'nil' borrowings, at the end of 31 March 2022.	Nil	Nil	35,667	32,151 ⁴⁸	Appendix 2.3
	Total				1,18,955	

Source: Information furnished by the Entities and Finance Accounts

As mentioned in earlier *paragraph 2.5.2.2*, the Government has also facilitated interest payment of ₹6,490 crore in respect of eleven entities, in the form of further loans in seven entities and as investment in four entities, as these entities could not service the borrowings on their own.

Box 2.3 Kaleshwaram Irrigation project

Among the borrowing PSUs/ABs, Kaleshwaram Irrigation Project Corporation Limited (KIPCL) is the major borrower, having borrowed from various sources to finance the Kaleshwaram Lift Irrigation Project. The details are as under:

As per the information furnished by the Irrigation and Command Area Development Department, a total expenditure of ₹86,788 crore was incurred on Kaleshwaram Project as of March 2022. The KIPCL has so far drawn loans amounting to ₹55,808 crore⁴⁹ towards Kaleshwaram project, which is 64 *per cent* of the total expenditure on the Project.

As informed by KIPCL, amount borrowed by it on behalf of the State Government during the year was ₹17,474 crore and to the end of March 2022 was ₹72,067 crore⁵⁰. The value of Guarantees given by State Government to the KIPCL as presented to the Legislature in March 2022 (as of January 2022) was ₹66,854 crore⁵¹.

Audit further noted that as per Detailed Project Report (DPR) of Kaleshwaram Project the project would hardly generate any revenues.

⁴⁸ ₹32,151 crore is in respect of three PSUs

⁴⁹ Excludes interest during construction of ₹8,475 crore

⁵⁰ Includes borrowings taken for Kaleshwaram project and partly Palamuru Ranga Reddy Lift Irrigation Scheme

⁵¹ As per the Details and copies of the Guarantees furnished by KIPCL, the value of Guarantees given by the State Government to KIPCL was ₹96,064 crore as of March 2022

Moreover, no analysis of the revenues was made in the DPR since there were no proposals for imposing water charges. Since, as of now, there are no provisions for obtaining revenues for water provided either for irrigation or drinking water, as such the servicing of this entire debt will be responsibility of the State exchequer.

In fact, during the year 2021-22, in the absence of revenue sources to KIPCL for repayment of borrowings and interest payment there on, the burden was borne by the State Government itself. The State Government provided during the year a loan of ₹1,442 crore to KIPCL for payment of interest during construction (₹1,420 crore), for principal repayment (₹22 crore) and as investments (₹3,072 crore). From the above and in view of the confirmation by KIPCL that it had borrowed on behalf of the State Government, the liability to repay the principal amount borrowed by KIPCL and pay interest thereon vests with the State Government itself.

Future Liability on KIPCL towards Debt Servicing, Power charges and others

Assuming that the KIPCL would draw the entire sanctioned loan amount of ₹87,449.15 crore and would start repayment of loans without any further extensions, the KIPCL/Government requires to pay a total amount of ₹1,41,544.59 crore in the next 14 years⁵² for debt servicing, as shown in **Table 2.37** below:

Table 2.37: Future financial commitment of account of debt servicing

(₹ in crore)

Year	Principal amount	Interest amount [@]	Total commitment
2022-23	2,765.39	4,145.34	6,910.73
2023-24	6,108.83	7,297.75	13,406.58
2024-25	6,950.64	7,511.51	14,462.15
2025-26	7,221.59	6,803.10	14,024.69
2026-27	7,221.59	6,080.91	13,302.50
2027-28	7,221.59	5,371.92	12,593.51
2028-29	7,221.59	4,637.60	11,859.19
2029-30	7,221.59	3,914.34	11,135.93
2030-31	7,640.55	3,177.31	10,817.86
2031-32	7,640.55	2,419.29	10,059.84
2032-33	7,640.55	1,654.11	9,294.66
2033-34	7,784.36	887.02	8,671.38
2034-35	4,037.23	255.90	4,293.13
2035-36	693.84	18.60	712.44
Total	87,369.89	54,174.70	1,41,544.59

Source: Projections based on the data made available by Irrigation and Command Area Development Department and KIPCL

[@] As per the loan agreements, the rate of interest was variable and would depend on the lending rates fixed by the respective banks/lending agencies from time to time. For calculation of the future interest commitment, Audit has taken the initial rates of interest mentioned in the respective loan agreements

⁵² The maximum repayment spread period of OBBs from 2022-23 is 14 years

Further, assuming that the project would become fully operational from the year 2024-25 and that lifting of water takes place as per plan, Kaleshwaram project would require an annual amount of ₹10,375 crore towards energy consumption charges (including fixed charges), which translates into ₹1,24,495 crore in the subsequent 12 years⁵³. In addition to the electricity cost, annual operation and maintenance (O&M) cost works out to ₹273 crore per annum, and depreciation of around ₹2,761 crore per annum. Taking repayment of loans, interests, operational & maintenance costs, and depreciation costs together will constitute huge burden on the State finances constraining State finances severely and capacity of the State to have any developmental plans in near future.

Considering such OBB of ₹1,18,955 crore at the end of March 2022 and total State's outstanding debt of ₹3,14,663 crore, the Debt to GSDP ratio would be 37.77 per cent⁵⁴ (₹4,33,618 crore on GSDP of ₹11,48,115 crore). This is far above the target fixed by XV FC (29.3 per cent) as well as by the State Government in its Medium-Term Fiscal Policy Statement (25 per cent).

Similarly, a case study explaining the details of OBB by Telangana State Police Housing Corporation is also detailed below:

Box 2.4: Case study

Purchase of vehicles through Telangana State Police Housing Corporation

To procure vehicles for the Police department, the Director General of Police, Telangana State (DGP) was permitted by the Government (January 2018) to borrow ₹500 crore through Telangana State Police Housing Corporation Limited (TSPHCL) from M/s Vijaya Bank (now M/s Bank of Baroda (Bank)) at an interest rate of 9 per cent. A tripartite agreement was concluded (May 2018) between the DGP, the TSPHCL and the Bank. The State also backed the loan with Government Guarantee in favour of TSPHCL. The borrowing of TSPHCL was repayable in 26 quarterly instalments. As of March 2022, TSPHCL has paid an amount of ₹328 crore⁵⁵ to the Bank.

- TSPHCL informed the Bank that the Loan agreement cum Hypothecation Deed would be executed by both TSPHCL and the DGP as the vehicles would be in the name of DGP. Audit noted that the vehicles were registered in the name of DGP/Home Department. TSPHCL confirmed (November 2022) that the Corporation have borrowed on behalf of the Government.
- The Tripartite agreement stipulated that the loan shall be repaid only through revenue accruals of the project and that the loan repayment should not be out of Budgetary allocation. However, it was noticed that the entire amount of

⁵³ Calculated from 2024-25 (when the project likely becomes operational) to 2035-36, i.e., the maximum debt servicing period as can be seen in Table 2.37 above

⁵⁴ i.e., Outstanding total debt ₹3,14,663 crore as per accounts plus Off-Budget Borrowings of ₹1,18,955 crore estimated in Audit totalling to ₹4,33,618 crore in GSDP of ₹11,48,115 crore

⁵⁵ principal repayment: ₹185 crore and interest payment: ₹143 crore

₹328 crore⁵⁶ paid to the Bank as of March 2022 by TSPHCL was from the Budgetary resources of the Government.

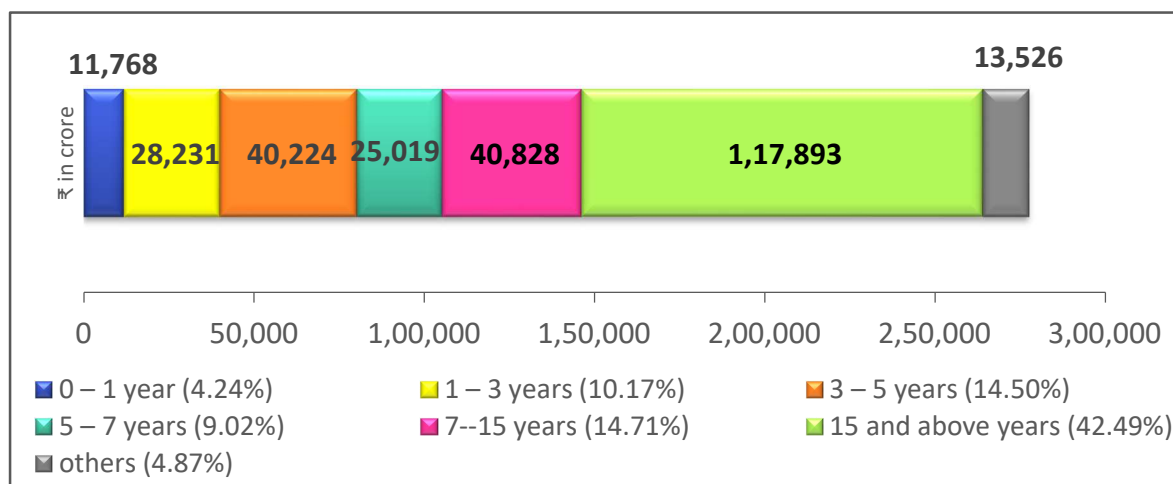
- The loan was availed at the interest rate of 9 per cent which was above the average borrowing rate (8.17 per cent) of State Government during 2018-19. This has resulted in an additional burden of interest on the State Government, to an extent of ₹13 crore⁵⁷ as of March 2022.

The above indicates that some of the major funding sources of Government's crucial socio-economic schemes/ projects are beyond the oversight and control of Legislature. Since the State Government did not disclose the sources, purpose and extent of these borrowings fully in budget documents and the information furnished to audit by the PSUs/ABs is incomplete, it is recommended that State Government may fully disclose all the Off-Budget Borrowings in the budget documents as recommended by the XV FC. It may also pronounce a specific reform path for removal of such indirect borrowings within a time frame, as recommended by XV FC.

2.7.3 Debt profile: Maturity and Repayment of Public Debt

Public 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 2.22**.

Chart 2.22: Maturity profile of State debt



Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2022 showed that 46 per cent (₹1,05,242 crore) of the total outstanding public debt is to be repaid in next seven years.

Out of ₹45,716 crore market borrowings taken during 2021-22, repayment schedule of ₹29,716 crore will continue till 2032-2041. 65 per cent of loans taken during the year have

⁵⁶ Loans for Miscellaneous General Services (Major Head 6075, Minor Head 800, and Sub-Head 07): ₹226 crore up to March 2021 and Loans for Housing (Major Head 6216, Minor Head 800, Sub-Head 07): ₹102 crore

⁵⁷ Calculated as (0.83 per cent * ₹143 crore)/9 per cent

short to medium range maturity periods. In contrast, 59 per cent of loans taken in the previous year had longer maturity periods. The interest on the borrowings during the year ranged from 6.89 per cent to 7.37 per cent. The interest rates are similar for both, shorter and longer maturity periods.

2.7.3.1 Repayment of Market Borrowings and Interest

The borrowings of the State Government are governed by Article 293 of the Constitution of India. The State Government borrows money from market for implementation of various State Plan programmes and fulfilment of fiscal liabilities.

Based on the outstanding market borrowings as of March 2022, the repayment obligation of principal and interest to be paid on market borrowings for next ten years from 2023-24 onwards are calculated and shown in the **Table 2.38**:

Table 2.38: Year-wise details of repayment of Market Loans and Interest in the next ten years

(₹ in crore)

Sl. No.	Year	Principal to be repaid	Interest to be paid	Total to be repaid
1	2023-24	9,341	17,715	29,245
2	2024-25	13,118	16,835	32,142
3	2025-26	15,850	15,744	33,783
4	2026-27	19,786	14,478	36,453
5	2027-28	17,050	12,992	32,231
6	2028-29	4,461	11,748	18,398
7	2029-30	1,949	11,431	15,569
8	2030-31	3,000	11,281	17,470
9	2031-32	5,161	11,072	19,348
10	2032-33	8,087	10,682	20,809
	Total	97,803	1,33,978	2,31,782

Source: Finance Accounts

As can be seen from the above table, the State Government will have to repay ₹2,31,782 crore as principal and interest on the Market borrowings by 2032-33. Apart from this, State Government will also have a liability to repay ₹20,266 crore as principal in the next ten years in respect of borrowings taken from the following financial institutions:

Table 2.39: Repayment of Principal and interest on loans from other financial institutions in the next ten years

(₹ in crore)

Sl. No.	Institution	Principal	Interest	Total
1	National Small Saving Fund	5,827	2,493	8,320
2	Life Insurance Corporation of India	42	9	52
3	General Insurance Corporation of India	9	4	13
4	UDAY Bonds	8,923	NA	8,923*
5	National Bank for Agricultural and Rural Development	5,398	NA	5,398*
6	National Co-operative Development Corporation	67	NA	67*
	Total	20,266	2,506	22,772

Source: Finance Accounts

NA : Information not available

* this amount does not include interest payable as details of interest rates are not available

This indicates that the State Government will have to mobilize substantial amount (₹2,52,048 crore) in the next ten years for servicing of internal debt and this would put significant pressure on the Government finances.

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 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 2.40** analyses the sustainability of debt of the State according to generally accepted indicators:

Table 2.40: Debt Sustainability - Indicators and trends

(₹ in crore)

Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt*	1,42,918	1,65,164	1,94,958	2,32,173 [§]	2,70,540 [§]
Rate of Growth of Outstanding Public Debt	17.88	15.57	18.04	19.09	16.53
GSDP	7,50,050	8,57,427	9,50,287	9,61,800	11,48,115
Rate of Growth of GSDP	13.93	14.32	10.83	1.21	19.37
Public Debt/GSDP	19.05	19.26	20.52	24.14	23.56
Maturity profile of repayment of State Public Debt – including default history, if any for next seven years	65,740	76,262	89,228	1,06,468	1,05,242
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.20	8.17	7.99	7.89	7.62
Percentage of Interest payment to Revenue Receipt	12.20	12.41	14.03	16.69	15.03
Percentage of Public Debt Repayment to Public Debt Receipts	58.65	66.85	59.72	54.47	59.32
Net Public Debt available to the State [#]	10,846	9,660	15,407	20,374	19,205
Net Public Debt available as <i>percentage</i> to Public Debt Receipts	41.35	33.15	40.28	45.53	40.68
Debt Stabilisation (Quantum spread + Primary Deficit)	(-)8,146	(-)8,417	(-)13,649	(-)41,530	527

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 in 2020-21 and ₹6,949 crore as of 2021-22 which are back-to-back loans given by GoI in lieu of GST compensation shortfall and the repayment obligation need not be met from the State resources.

- The growth rate of outstanding Public Debt ranged between 16 *per cent* to 19 *per cent* over the past five years. This year, the growth rate decreased to 17 *per cent* when compared to the preceding year (19 *per cent*). The ratio of outstanding Public Debt to GSDP which was increasing year on year until 2020-21, has decreased by nearly one *per cent* during 2021-22.
- The average interest rate of outstanding public debt has decreased marginally during the past five years from 8.20 *per cent* in 2017-18 to 7.62 *per cent* in 2021-22. The decreasing trend of interest rate may be attributed to zero borrowings from the National

Small Savings Fund (NSSF) since 2016-17 which had a higher debt servicing cost (9 per cent to 9.99 per cent). However, the Government is consistently borrowing from the markets at interest rates ranging from 7 per cent to 9.99 per cent⁵⁸. Interest payments almost doubled from ₹10,836 crore in 2017-18 to ₹19,161 crore in 2021-22.

- After providing for Public Debt Repayments (₹76,117 crore⁵⁹) and interest payments (₹19,161 crore), the Net Public Debt available for use was ₹19,205 crore (17 per cent). The ratio of Revenue Receipts to total outstanding Public Debt decreased from 62 per cent in 2017-18 to 47 per cent in 2021-22.

The Net Public Debt of the State Government would further be adversely impacted by Government's commitment to service on huge Off-Budget Borrowings taken by the PSUs in the coming years. This would put significant pressure on the Government finances and also push the debt sustainability of the Government to an undesirable level.

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 2.41**.

Table 2.41: Utilisation of borrowed funds

(₹ in crore)

Sl. No.		2017-18	2018-19	2019-20	2020-21	2021-22
1	Total Borrowings	1,06,641	1,17,715	1,43,870	1,85,123 [#]	1,91,804 [#]
2	Repayment of borrowings (Principal) (percentage)	78,203 (73.33)	91,080 (77.37)	1,08,652 (75.52)	1,41,666 (76.53)	1,52,779 (79.65)
3	Net Capital Expenditure (percentage)	23,902 (22.41)	22,641 (19.23)	16,859 (11.72)	15,922 (8.60)	28,874 (15.05)
4	Net Loans and Advances (percentage)	6,071 (5.69)	8,640 (7.34)	8,638 (6.00)	10,810 (5.84)	8,421 (4.39)
5	Portion of Revenue Expenditure that was met out of balance borrowings* (=1-2-3-4) (percentage)	(-)1,535 (-1.44)	(-)4,646 (-3.95)	9,721 (6.76)	16,725 (9.03)	1,730 (0.90)

Source: Finance Accounts

[#] Outstanding Public Debt does not include back-to-back loans in lieu of GST compensation shortfall of ₹2,380 crore in 2020-21 and ₹4,569 crore in 2021-22, received from GoI and the repayment obligation need not be met from the 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

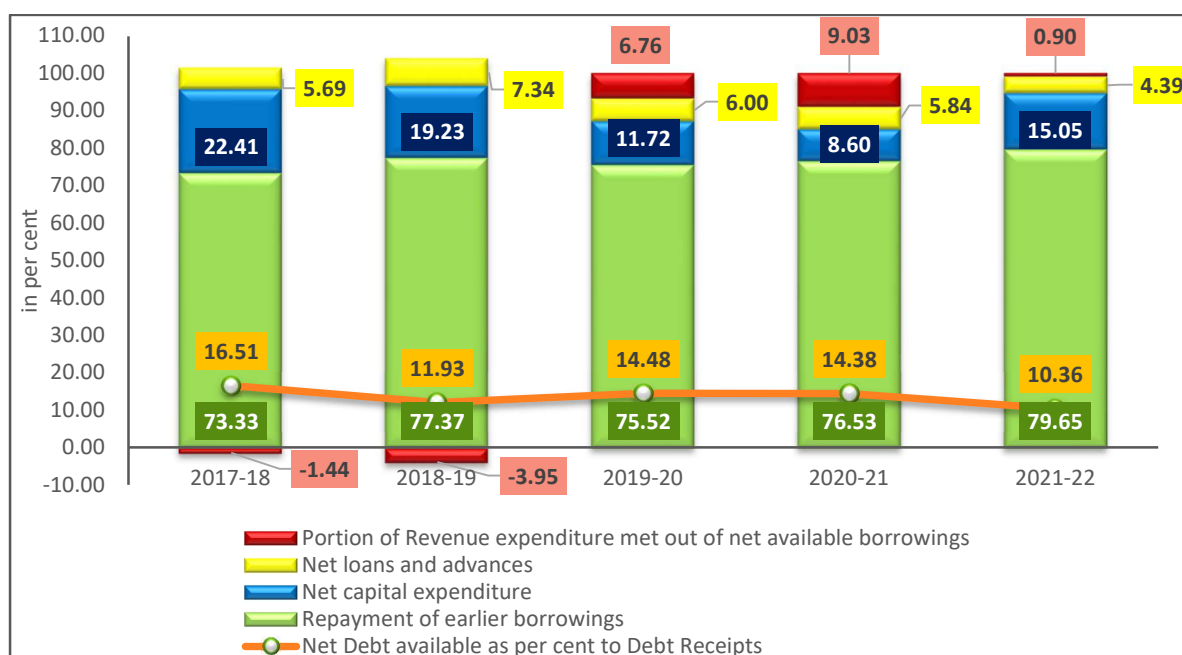
Interestingly, the portion of Revenue Expenditure met out of net available borrowed funds has decreased significantly from nine per cent in 2020-21 to one per cent in 2021-22. This can be attributed to decreased Revenue Deficit over previous year by ₹12,963 crore.

Trends of utilisation of borrowed funds are shown in **Chart 2.23**.

⁵⁸ an amount of ₹1,93,656 crore was borrowed in this range, which is 80 per cent of the total outstanding market borrowings of the Government

⁵⁹ including Ways and Means Advances repayment

Chart 2.23: Trend of utilisation of borrowed funds



Source: Finance Accounts

While utilisation of borrowings towards Capital Expenditure decreased from 2017-18 to 2020-21, and it increased by 6.45 per cent during 2021-22. However, this is still less by 7 per cent when compared to 2017-18.

2.7.4.2 Status of Guarantees – Contingent liabilities

Guarantees are contingent liabilities 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 2017-22 are shown in Table 2.42.

Table 2.42: Guarantees given by the State Government

(₹ in crore)

Sl. No.		2017-18	2018-19	2019-20	2020-21	2021-22
1	Revenue Receipts during the preceding year	82,818	88,824	1,01,420	1,02,544	1,00,914
2	Ceiling applicable to outstanding value of Guarantees including interest	74,536	79,942	2,02,840	2,05,088	2,01,828
3	Outstanding value of Guarantees including interest	41,892	77,713	89,601	1,05,007	1,35,283

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, was increased (September 2020) to 200 per cent through TSFRBM (Amendment) Act, 2020. Accordingly, the outstanding Guarantees (₹1,35,283 crore) at end of March 2022 stood at 134 per cent of total Revenue Receipts of the preceding year (i.e., ₹1,00,914 crore in 2020-21) and within the enhanced limit.

Out of the total guarantees, 77 per cent of the Guarantees pertained to only three entities viz., (i) Kaleshwaram Irrigation Project Corporation Limited mainly for implementation of Kaleshwaram Project (₹66,854 crore) and (ii) Telangana Drinking Water Supply Corporation Limited for implementation of Mission Bhagiratha (₹24,364 crore) and (iii) Telangana State Water Resources Infrastructure Development Corporation Limited (₹13,412 crore).

Out of the 19 guarantees worth ₹1,35,283 crore disclosed by State Government to the Legislature, 14 guarantees worth ₹1,23,708 crore (91 per cent) are related to Off-Budget Borrowings.

(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 in Volume V/2 – Statement of Guarantees and Debt Position. However, following guarantees given to the entities are not included in the Statement of Guarantees as required under ‘Indian Government Accounting Standards (IGAS) 1 – Guarantees given by the Government Disclosure requirements:

Table 2.43: 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	61,600
2	Telangana State MARKFED	4,562
	Total	66,162

Source: Government Orders issued from time to time

Government (November 2022) stated that Guarantees given to Civil Supplies Corporation and MARKFED are purely temporary and that loans are repaid within three or four months as and when the cost is received from Food Corporation of India. There is no mention about tenure of the guarantees in J (i) under IGAS - 1. As these guarantees were for very short tenure, they were not included in the list of guarantees in Vol. V/2, Annexure to Budget Estimates.

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 within 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.

- Though Telangana State Seeds Development Corporation Limited stated that it had borrowed ₹398 crore to the end of March 2022 on behalf of the Government, there was no mention of this in the list of entities in Statement of Guarantees presented by the Government to the Legislature. In fact, this entity remitted a Guarantee Commission of ₹6 crore in December 2020 to Government Account.
- The value of Guarantees mentioned by the State Government to the Legislature (Volume V/2) was less in respect of the following:

Table 2.44: Value of Guarantees included in Budget documents and as intimated by the institutions to audit

(₹ in crore)

Sl. No.	Institution	As informed by institution to Audit	As per Budget documents
1	Southern Power Distribution Corporation of Telangana Limited	8,994	6,300
2	Northern Power Distribution Corporation of Telangana Limited	6,412	
3	Telangana State Power Generation Corporation Limited	980*	
4	Transmission Corporation of Telangana Limited	1	
	Total	15,407	6,300

Source: Finance Accounts and information furnished by institutions concerned

* The above guarantees are given by erstwhile Andhra Pradesh to erstwhile APGENCO and hence considered while totaling

(ii) Compliance to the instructions while providing Guarantees:

The erstwhile Government of Andhra Pradesh issued (September 2003) instructions⁶⁰ 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 (₹2,873 crore) to loans taken by Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) whose annual accounts were in arrears for more than a decade and have been submitted in December 2022.
- Government Order stipulated that the Administrative Departments in Secretariat and Heads of Departments shall evaluate the fiscal risk and classify the Guarantees⁶¹ 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).

The Finance Department, in the Statement of Fiscal Policy classified (March 2022) Guarantees as under:

Table 2.45: Categorisation of Guarantees based on risk

(₹ in crore)

Sl. No.	Category	Amount
1	Direct liability	0
2	High risk	0
3	Medium risk	41,730
4	Low risk	76,550
5	Very low risk	17,003
	Total	1,35,283

Source: Statement of Government Guarantees placed before Legislature along with budget documents in March 2022

⁶⁰ G.O.Ms.No.446, dated 29 September 2003

⁶¹ 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

Government informed that it is doing an exercise to arrive at the risk weightage of each Guarantee based on certain factors like debt servicing through own sources or Government support, repayment schedule, financial performance, primary security, valuation of assets of entity. However, it did not provide the documents to Audit for cross verifying such risk evaluation.

Further, 14 guarantees worth ₹1,23,708 crore (91 per cent) out of the 19 mentioned in the Statement of Guarantees and Debt position by the Government could be related with Off-Budget Borrowings. Hence, they should have been classified under Direct Liability. However, Government has classified all the Guarantees as medium risk to very low risk.

- Further, the Government Order 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. Guarantee Commission of ₹676.42 crore⁶² was to be received by the Government to the end of March 2022 from 19 entities. However, amongst these 19 entities only one entity viz., Telangana State Horticulture Development Corporation remitted an amount of ₹17.48 crore as Guarantee Commission during the year 2021-22.

In fact, the Statement of Guarantees and Debt position (Volume V/2 of budget document) did not provide any information regarding Guarantee Commission ‘receivable and received’ though it is a mandatory disclosure as per IGAS 1.

Government stated (November 2022) that since Government Accounts are kept on cash basis and not on accrual basis, the Guarantee fees receivable from the entities was not worked out.

The reply is not acceptable as the IGAS 1 requires that the Guarantee Commission ‘receivable and received’ are to be disclosed and not complying with this does not help in keep tracking of receivables. This may also result in loss of revenue.

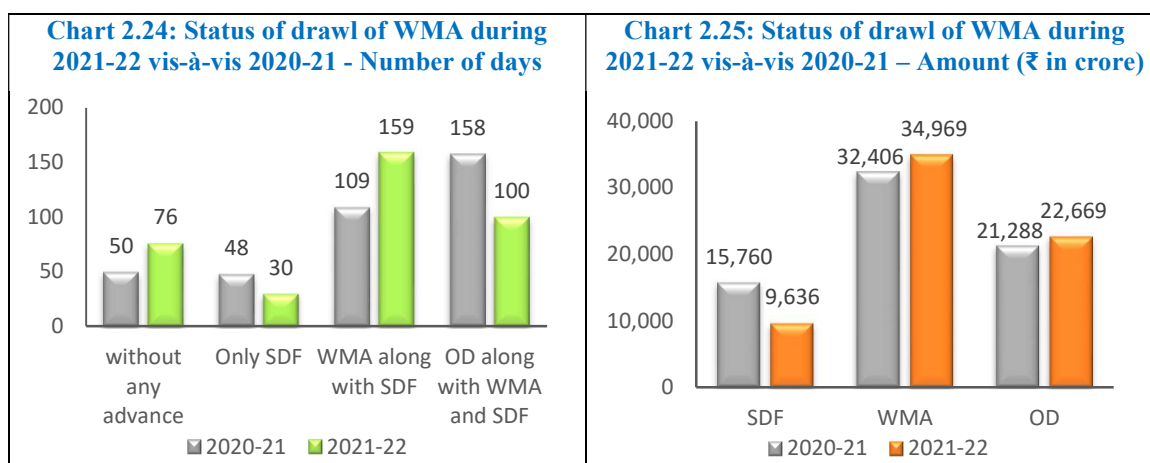
2.7.4.3 Management of Cash Balances

(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 ₹554.49 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 2.24** and **Chart 2.25**:

⁶² calculated at a rate of 0.50 *per cent* on the total guaranteed amount of ₹1,35,283 crore



Source: Finance Accounts of the years concerned

The number of days (76) where the State Government did not use WMA facilities has increased when compared to previous year (50), indicating an improvement in the position of keeping minimum cash balance with RBI.

However, State Government's dependency on WMA for day-to-day activities has been increasing over the years. Over the last five years, the quantum of the total amount of the advances taken nearly tripled (₹22,922 crore in 2017-18 and ₹67,274 crore in 2021-22).

Interest payments on drawal of WMA (including SDF and OD) during 2021-22 was ₹70 crore as against ₹14 crore in 2017-18, indicating a significant increase of 400 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 to Government account.

The State Government's Cash Balances at the end of March 2022 amounted to ₹8,094.86 crore including Deposits with RBI (₹64 crore), investment in cash balance investment account (₹55 crore) and investment in earmarked funds (₹7,975 crore) viz. Sinking Fund (₹6,541 crore) and Guarantee Redemption Fund – Investment Account (₹1,431 crore). **Table 2.46** depicts the Cash Balances and their investment during the year.

Table 2.46: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	--	--
Deposits with Reserve Bank of India	(-5.67	63.82
Deposits with other Banks	--	--
Remittances in transit – Local	--	--
Total	(-5.67	63.82
Investments held in Cash Balance investment account	1,801.12	55.45
Total (A)	1,795.45	119.27

	Opening balance on 1 April 2021	Closing balance on 31 March 2022
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	--	--
Permanent advances for contingent expenditure with department officers	0.34	0.40
Investment in earmarked funds	7,397.20	7,975.19
Total (B)	7,397.54	7,975.59
Total (A + B)	9,192.99	8,094.86
Interest realised	7.73	0.46

Source: Finance Accounts

The Cash Balance investments of the State during the period 2017-22 are shown in **Table 2.47**.

Table 2.47: Cash Balance Investment Account

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
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
2021-22	1,801.12	55.45	(-)1,745.67	0.46

Source: Finance Accounts

The State Government earned an interest of ₹0.46 crore during the year 2021-22 from the investments made in Government of India Securities and Treasury Bills, which was much lower than the interest of ₹7.73 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.

2.8.1 Apportionment of amounts under Government Accounts

As of March 2022, significant amounts under Capital Heads (₹1,51,350 crore), Loans and Advances (₹28,100 crore), Deposits and Advances (₹4,474 crore), Suspense and Miscellaneous (₹238 crore) and remittances (₹310 crore) are to be apportioned. As such, the assets and liabilities of the State Government as depicted in the Finance Accounts are affected to that extent.

There has been no progress in this respect during the past three years after 2018-19 indicating lack of emphasis on apportionment.

2.8.2 Apportionment of assets and liabilities under Schedule IX of Andhra Pradesh Re-organisation Act, 2014

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, in May 2014, had given recommendations for de-merger of all the 91 institutions.

The Government informed (November 2022) that there is difference of opinion between two States on the demerger of institutions included under Schedule IX of Andhra Pradesh Re-organisation Act, 2014 and Ministry of Home Affairs in Government of India has taken up the matter to resolve the issue.

2.9 Conclusion

The State could not achieve any of the three key fiscal targets i.e., (i) maintenance of Revenue Surplus, (ii) targets of Fiscal Deficit to Gross State Domestic Product (GSDP), and (iii) target of Total Outstanding Liabilities to GSDP for the last two years. In fact, it registered a Revenue Deficit for a third consecutive year.

Revenue Receipts have increased significantly due to increase in State's Own Tax Revenue, Non-Tax Revenue and Share in Central Taxes. The increase in State's Own Tax Revenue was attributable to revision of rates in respect of registration, stamp duty, market values, coupled with recovery of the economy after Covid-19 pandemic. The State did not receive certain specific grants recommended by XV Finance Commission. The Government enhanced its Non-Tax Revenue Receipts by taking lapsed deposit amounts into Revenue account instead of taking it to Loan account. This has resulted in understatement of Revenue Deficit and overstatement of Assets in Loans.

Revenue Expenditure has also shown a considerable increase in all sectors viz., General Services, Social Services and Economic Services. Committed Expenditure under Revenue Expenditure increased mainly on account of Interest Payments and Salaries. While interest payments grew due to higher debt burden, payment on account of salaries grew due to implementation of Pay Revision Commission and revision of retirement age of Government employees.

Capital Expenditure also witnessed a significant rise on account of Major Irrigation, Water Supply and sanitation. Loans and Advances given during the year have decreased.

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

Contribution to the Statutory funds such as Consolidated Sinking Fund and Guarantee Redemption Fund has been irregular for the past few years. The State Government did not contribute to the newly formed State Disaster Mitigation Fund during the current year. There was short contribution from Government of India and State Government in respect of State Disaster Response Fund.

Though the State Government disclosed the quantum of Guarantees and the entities to which they were given (to a certain extent), the State Government did not disclose its Off-Budget Borrowings to be serviced from its Budget. This would increase the total outstanding liabilities of the Government and also would impact the Debt ratio to Gross State Domestic Product. The State Government will have to mobilize substantial amount in the next ten years for servicing of internal debt and this would put significant pressure on the Government finances.

The Government continued to provide loans to institutions towards interest payments/principal repayments for meeting loans taken by the institutions on behalf of the Government.

As the State registered Revenue Deficit, it had to finance Revenue Deficit from the Market Borrowings.

There has been no progress in apportionment of Assets and Liabilities between Andhra Pradesh and Telangana for the last three years.

2.10 Recommendations

- i. State Government needs to fully disclose its off-budget borrowings taken through Special Purpose Vehicles/Public Sector Undertakings/Autonomous Bodies for implementation of Government schemes/programmes/works in the interest of transparency. It may also put forth a reform path to eliminate indirect borrowings within a time frame, as recommended by Fifteenth Finance Commission.*
- ii. Government may revisit the Government Orders regarding the Deposits Accounts in view of the instructions contained in List of Major and Minor Heads and Financial Code.*
- iii. Government needs to contribute to statutory funds as per the respective norms regularly to meet the contingencies for which they are created.*



Chapter 3
Budgetary Management

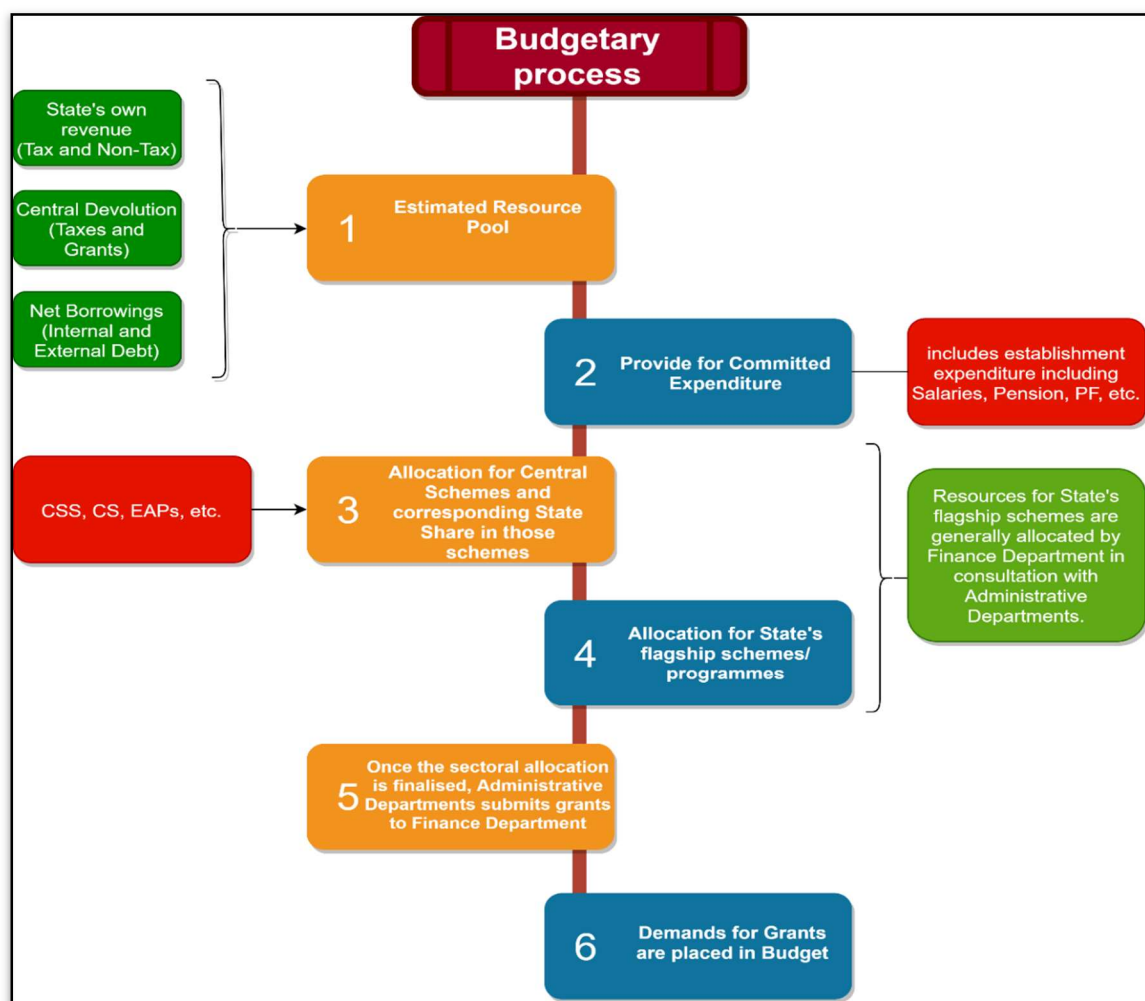
3.1 Introduction

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, generally in the month of December/January by Finance Department to Departments for 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



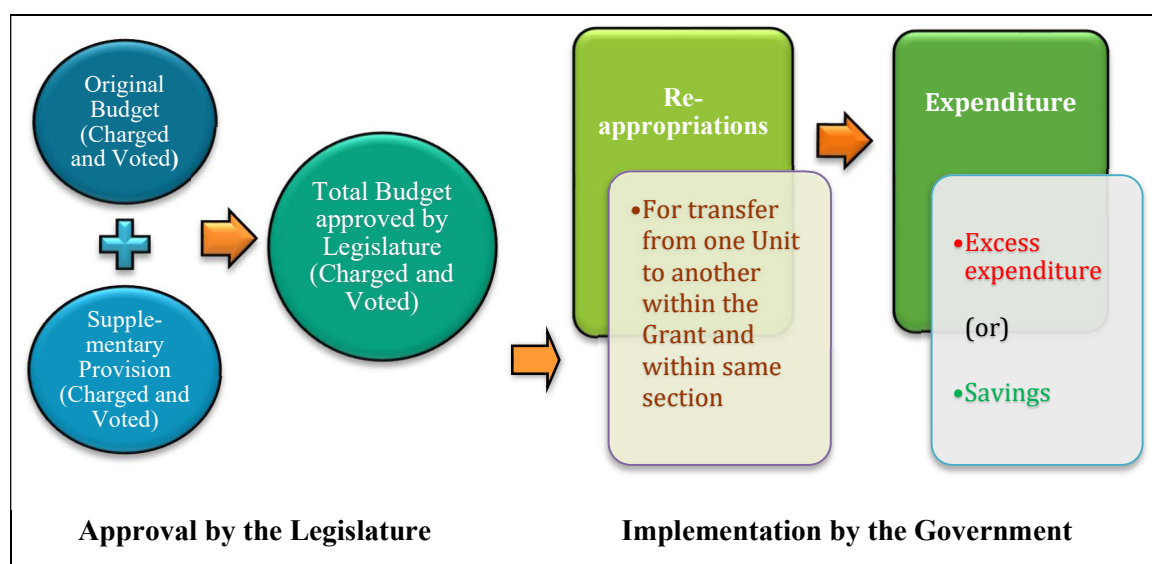
Source: Based on procedures prescribed in Budget Manual and instructions of the State Government

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting Annual Budget and Demands for Grants¹/ Appropriations².

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 earlier, 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 for Scheduled Castes Special Development Fund and Scheduled Tribes Special Development Fund,

¹ requiring the vote of the Legislature

² do not require the vote of the Legislature

which apportion the total outlays of Pragathi Paddu in a Financial year, based on proportion of population (Census 2011) of Scheduled Castes (15.45 *per cent*) / Scheduled 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.

Analysis of utilisation of funds provided under Special Development Fund is in *paragraph 3.4.7*.

3.2.2 Budget projections and provisions

The budget of the state is based on the departmental estimates submitted by the heads of the departments and certain other estimating officers and these departmental estimates are themselves based on the estimates submitted by the district officers of the departments³. As the Government accounts are maintained in general on cash basis, the estimates should take into account only such receipts and payment⁴ as the estimating officer expects to be actually realized or made during the budget year⁵. For successful financial management, Government needs advance planning and accurate estimation⁶, of both Receipts and Expenditure. Boosting of estimates of Receipts would automatically lead to higher expenditure projection and ultimately result not only in failure to achieve the targets set out for the year in respect of services deliverable but also in savings in the grants / appropriation authorised by the Legislature. On the other hand, under-estimation of unavoidable and committed expenditure, like repayment of debt, payment of interest, salaries, pensions etc., might lead to excess expenditure requiring regularisation by the Legislature later.

3.2.2.1 Unrealistic Projection of receipts from Non-Tax Revenue

The performance of the State Government in respect of resource mobilisation was discussed in *Paragraph 2.4.3* of this Report, wherein it was mentioned that though the State was able to realise its estimations in respect of Own Tax Revenue, it was lagging far behind with regards to Non-Tax Revenue. The projections of NTR in budget in the last three years were on higher side persistently as shown below:

Table 3.1: Budget Projection and actuals in respect of Non-Tax Revenue

(₹ in crore)

Year	Budget projection	Actuals	Difference
2017-18	6,602	7,825	(-)1,223
2018-19	8,974	10,007	(-) 1,011
2019-20	15,875	7,360	8,515
2020-21	30,600	6,101	24,499
2021-22	30,557	8,857	21,700

Source: Budget documents and Finance Accounts of years concerned

³ paragraph 13.1.1 of Budget Manual

⁴ including those in respect of the arrears of past years

⁵ paragraph 13.1.3 of Budget Manual

⁶ paragraph 1.1 of Budget Manual

- The budget projections have increased significantly for the past three years, even though realisation of NTR was less than ₹10,000 crore.
- Though the actuals were higher than the estimations in respect of 2017-18 and 2018-19, they were on account of certain accounting misclassifications which resulted in more receipts from NTR. These instances have been reported in the respective State Finances Audit Reports of previous years.
- Higher projections have been made in 'Sale of land and property', 'Housing' and 'Urban Development' when compared to realisation as shown below:

Table 3.2: Budget Projection and actuals on receipts from Sale of Land and Property, Housing and Urban Development

(₹ in crore)

Year	Budget projection	Realisation	Difference
Sale of Land and Property			
2017-18	0	686	(-)686
2018-19	3,000	848	2,152
2019-20	10,000	416	9,584
2020-21	14,294	10	14,284
2021-22	16,000	2,658	13,342
Housing			
2017-18	2	1	1
2018-19	1	1	0
2019-20	1	101	(-)100
2020-21	4,446	1	4,445
2021-22	5,002	1	5,001
Urban Development			
2017-18	1	28	(-)27
2018-19	1	9	(-)08
2019-20	1	21	(-)20
2020-21	4,001	7	3,994
2021-22	2,514	93	2,421

Source: Budget documents and Finance Accounts of years concerned

The basis on which the above huge projections were made in the recent years was not forthcoming from the records furnished to audit.

Year-wise trend of components of NTR and their contribution in State Finances is discussed in earlier **Paragraph 2.4.1.1 (ii)**.

3.2.2.2 Projection of receipts in the component ‘Grants-in-Aid from Government of India’

The budget projections in respect of Grants-in-Aid receivable from Government of India have been inconsistent:

Table 3.3: Budget Projection and actuals in respect of Grants-in-Aid from Government of India

(₹ in crore)

Year	Budget projection	Actuals	Difference
2017-18	26,857	8,059	18,789
2018-19	29,042	8,178	20,864
2019-20	8,178	11,599	(-3,421)
2020-21	10,525	15,471	(-4,946)
2021-22	38,669	8,619	30,050

Source: Budget documents and Finance Accounts of years concerned

During 2019-20 and 2020-21, the budget projections of this component were considerably lesser than actual realised. In all the remaining years, the projections were abnormally high when compared to actual receipts.

In respect of the 2021-22, the projection included an estimation of ₹25,105 crore towards Special package and additional Central Assistance and the basis of this estimation has not been disclosed. However, the same has not been accounted for in the Government of India Budget proposals too.

The Government may ensure estimation of Non-Tax Revenue and Grants-in-Aid are made on realistic basis.

3.2.2.3 Lump sum provisions

As per paragraph 13.12 of Budget Manual, lump sum provision should not be made in the Budget Estimates as a rule. The State Government has made the following amounts as Lump sum provisions during the past five years:

Table 3.4: Budget Estimates and actuals in respect of Lump sum provisions

(₹ in crore)

Year	Budget projection	Actuals
2052 - Secretariat - General Services - 090- Secretariat - 75 - Lumpsum provision -270 Minor works		
2017-18	18	0
2018-19	1	0
2021-22	8,000	0
2052 - Secretariat - General Services - 090- Secretariat - 75 - Lumpsum provision – 010 - Salaries		
2017-18	1,000	0
2018-19	200	0
2019-20	10	0

Source: Appropriation Accounts of years concerned

No expenditure was incurred against these lump sum provisions in the respective years.

Further, Audit findings on misclassifications in budget estimates and opening of new sub-heads without the concurrence of the Principal Accountant General (A&E), Telangana are discussed in **Paragraphs 3.4.9** and **3.5.4** respectively.

3.2.2.4 Estimation of expenditure on repayment of Ways and Means Advances

On the expenditure side, one of the major items on which excess expenditure occurs is through Ways and Means Advances (WMA)⁷. While the State Government has been making only token provisions towards repayment of WMA, there has been increased dependency and consequent repayment of WMA year after year leading to huge excess expenditure as shown below:

Table 3.5: Budget Estimates and actuals in respect of repayment of Ways and Means Advances

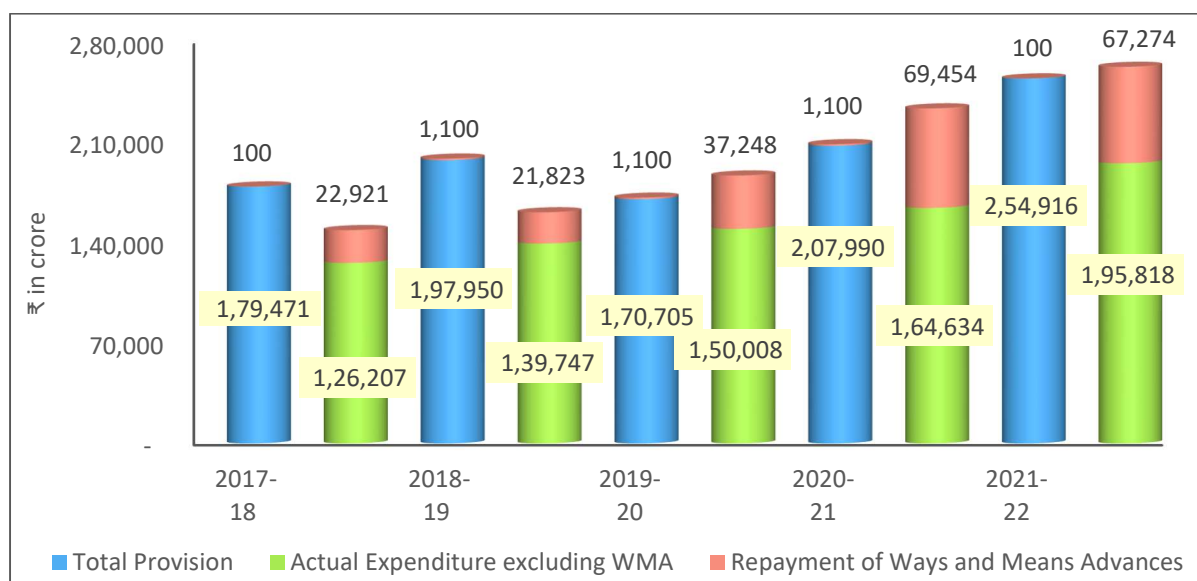
Year	Budget projection	Actuals	Excess expenditure
2017-18	100	22,921	22,821
2018-19	1,100	21,823	20,723
2019-20	1,100	37,247	36,147
2020-21	1,100	69,453	68,353
2021-22	100	67,274	67,174

(₹ in crore)

Source: Appropriation Accounts of years concerned

Total Expenditure, including repayment of WMA, has been higher than the Budgetary provision in the past three years viz., 2019-20, 2020-21 and 2021-22. However, the expenditure without WMA is much lower than the Budget Estimates as shown in **Chart 3.3** below:

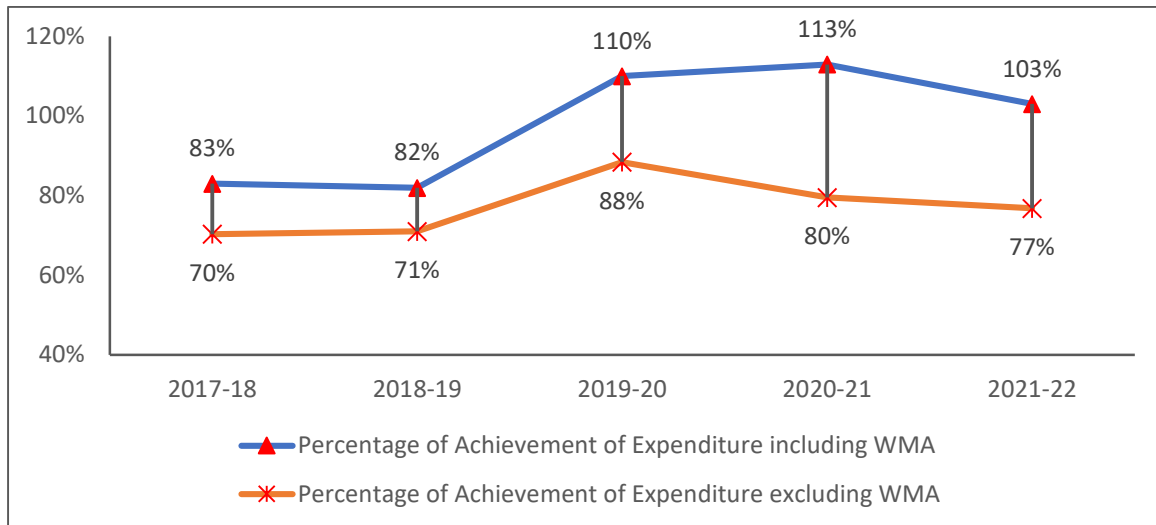
Chart 3.3: Total Provision and Expenditure during the period 2017-18 to 2021-22



Source: Appropriation Accounts

⁷ 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

Chart 3.4: Percentage of expenditure in comparison to Budget including and excluding repayment of Ways and Means Advances



Source: Appropriation Accounts

Effectively, only 77 per cent of the provisions authorised could be spent during the year resulting in overall savings. However, due to huge repayment of WMA for which only a token provision was made, it appears as a net excess expenditure of three per cent over the total provision in 2021-22 (*paragraph 3.3.2 also refers*).

3.2.3 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. During 2021-22, the following are observed:

- Out of the 40 Grants, Outcome Budgets are not prepared in respect of 3 Grants⁸.
- On review of Outcome Budgets of the remaining 37 Grants, only one Grant, i.e., Scheduled Castes Development Department had clearly mentioned about achievement of outcomes.

⁸ (i) State Legislature, (ii) Governor and Council of Ministers and (iii) General Administration and Elections

- In respect of two Grants, viz., Transport and Public Enterprises, ‘nil’ report was mentioned in the Outcome budgets.
- In respect of nine Grants⁹, there was no mention of projected outcomes or their achievements.
- In all other 25 Grants, though physical targets and their achievements were mentioned, there was no mention of achievement vis-à-vis projected outcomes.

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 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.

⁹ (i) Administration of Justice, (ii) Excise Administration, (iii) Commercial Taxes Administration, (iv) Roads, Buildings and Ports, (v) Medical and Health, (vi) Information and Public relations, (vii) Minority Welfare, (viii) Administration of Religious Endowments and (ix) Energy

3.3.2 Summary of total provision and actual expenditure in 2021-22

A summarised position of total budget provision, disbursement and saving/excess during the year 2021-22 is given in *Table 3.6*.

Table 3.6: Budget Provision, disbursement and savings/excess during 2021-22

(₹ in crore)

Voted / Charged	Nature of Expenditure	Original Grant / Appropriation	Supplementary Grant / Appropriation	Total	Actual Expenditure	Savings (-) / Excess (+) with reference to Total Budget	Savings (-) / Excess (+) in per-centage	Surrender during the year	
								Amount	per cent
Voted	Revenue	1,51,498	10,684	1,62,182	1,29,942	(-)32,240	(-)20	(-)73,719	45
	Capital	28,945	11,954	40,899	29,014	(-)11,885	(-)29	(-)16,638	41
	Loans and Advances	23,256	1,097	24,353	8,477	(-)15,876	(-)65	(-)11,397	47
	Total Voted	2,03,699	23,735	2,27,434	1,67,433	(-)60,001	(-)26	(-)1,01,754	45
Charged	Revenue	17,932	182	18,114	19,430	1,316	07	(-)17,607	97
	Capital	101	93	194	112	(-)82	(-)42	(-)83	43
	Public Debt Repayment	9,140	134	9,274	76,117	66,843	721	(-)8,228	89
	Total Charged	27,173	409	27,582	95,659	68,077	247	(-)25,918	94
Appropriation to Contingency Fund		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		2,30,872	24,144	2,55,016	2,63,092	8,076	03	(-)1,27,672	50

Source: Appropriation Accounts

Note: Out of ₹2,63,092 crore, an amount of ₹612 crore was transferred to PD Accounts (Head of Account: 8443-106).

The actual gross expenditure of ₹2,63,092 crore is 103 per cent of the total provision of ₹2,55,016 crore in 2021-22. The net excess expenditure of ₹8,076 crore is the result of excess expenditure of ₹75,053 crore in 10 Grants and 02 Appropriations and savings of ₹66,977 crore in 39 Grants and 08 Appropriations. Excluding the amount of Ways and Means Advances (WMA)¹⁰, there is an overall saving of ₹59,098 crore¹¹ against the budget provisions.

- Savings occurred in all parts of the Voted section, whereas excess expenditure occurred under Charged sections of Revenue and Public Debt Repayment.
- The total savings, other than Public Debt repayment and Revenue charged, amounted to ₹60,084 crore (26 per cent) compared to the allocation of ₹2,27,628 crore. Expenditure under Public Debt repayment (₹76,117 crore) mainly includes an amount of ₹67,274 crore towards repayment of Ways and Means Advances (WMA) taken during 2021-22.
- The State Government also incurred an unauthorised expenditure of ₹1,383 crore without any provision in the Budget during 2021-22 at sub-head level (refer paragraph 3.4.1).

¹⁰ for which the budget provision was only ₹100 crore and expenditure was ₹67,274 crore

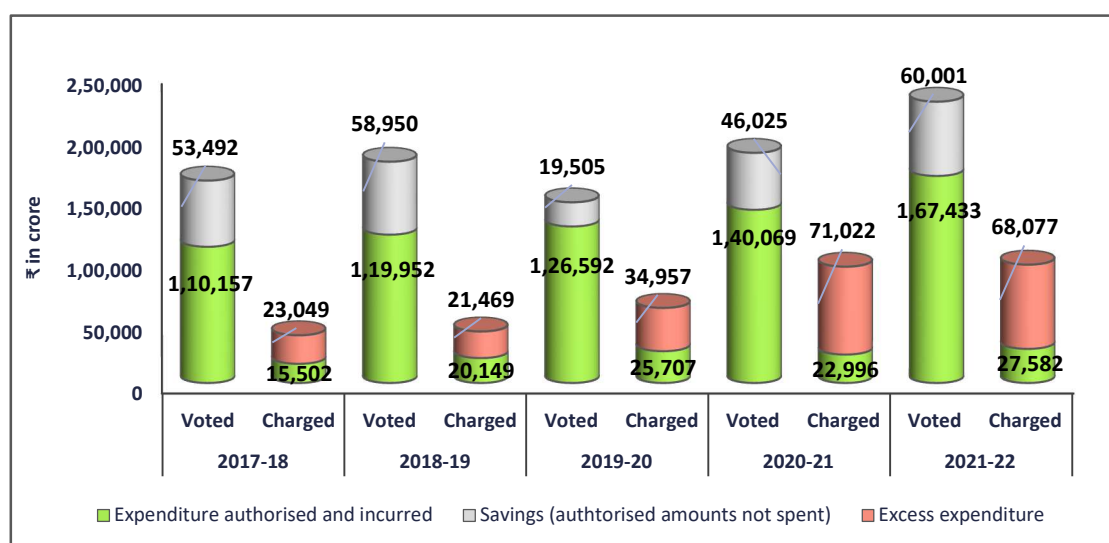
¹¹ excluding WMA repayment, the budget provision is ₹2,54,916 crore and the expenditure is ₹1,95,818 crore

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 Grants may result in unequal resource distribution and utilisation.

3.3.3 Trend of Charged and Voted expenditure

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

Chart 3.5: Charged and voted expenditure during the five-year period 2017-18 to 2021-22



Source: Appropriation Accounts

Savings occurred under voted section every year. This indicates that even though more budget is provided in voted section towards schemes / welfare / development activities, the actual expenditure is less than the provision, resulting in savings. On the other hand, excess expenditure occurred under charged section in all the years mainly on account of Repayment of Ways and Means Advances as mentioned in earlier paragraph. In Revenue Charged section ‘Interest on State Development Loans’, ‘Interest on General Provident Fund’, and ‘Telangana State Life Insurance Fund’ etc., contributed to excess expenditure. Consistent excess expenditure on these items indicates that estimation of expenditure on these components have been made on the lower side. There were persistent excesses in these heads under Revenue charged section as detailed in the following table:

Table 3.7: 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			
2017-18	7,936	7,916	(-)20
2018-19	8,316	9,610	1,294
2019-20	11,007	11,455	447
2020-21	12,075	13,907	1,832
2021-22	14,636	16,421	1,785

Year	Budget Provision	Expenditure	Excess (+) / Savings (-)
Interest on General Provident Fund			
2017-18	330	417	87
2018-19	410	420	10
2019-20	405	454	49
2020-21	405	451	46
2021-22	500	451	(-)49
Telangana State Life Insurance Fund			
2017-18	110	188	78
2018-19	180	223	43
2019-20	226	264	38
2020-21	100	315	215
2021-22	275	327	52

Source: Appropriation Accounts

The State Government may ensure accurate and realistic estimation of Charged Expenditure items such as ‘Interest on State Development Loans’, ‘Interest on General Provident Fund’, etc.

The excess under Revenue charged during the year 2021-22 was ₹1,316 crore mainly on account of excess on ‘Interest on State Development Loans’ (₹1,785 crore) apart from excess under ‘District offices and Collectors Establishments’ (₹75 crore) and ‘Telangana State Life Insurance Fund’ (₹52 crore), which can be estimated with reasonable accuracy and are directly charged on the Consolidated Fund.

3.3.4 Lack of explanation for variation from Budget

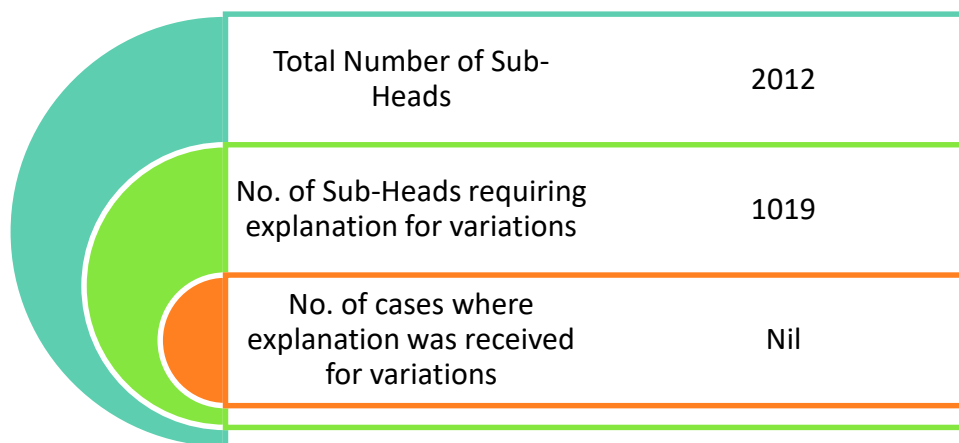
Appropriation Accounts provide explanations for comments on excess expenditure or savings where the excess or savings at Sub-Head level varies beyond the limits set by the Public Accounts Committee.

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	<p>(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 per cent of the provision or ₹100 lakh, whichever is higher.</p> <p>(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.</p>
Excess	<p>(a) When there is overall excess under a Grant/Appropriation even by a rupee, it requires regularisation by the Legislature.</p> <p>(b) Comments on excess under individual sub-heads are included only when the excess under individual sub-heads is ₹25 lakh and above.</p> <p>(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.</p>

Principal 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, during 2021-22 are given in **Chart 3.6**:

Chart 3.6: Summary of unexplained variations vis-à-vis budget during 2021-22



Source: Appropriation Accounts

We observed that explanation for variations was not received for any of the sub-heads requiring explanation. The State Government did not give explanation for the variations in 893 sub-heads (out of 1,952) in 2020-21 and 862 sub-heads (out of 2,282) in 2019-20 also. The same was highlighted in the State Finances Audit Report for the year ended March 2021 and March 2020.¹²

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 Article. 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.

¹² Paragraph 3.4.1 *ibid* elaborates on “Excess expenditure without authority of Law” and Paragraph 3.4.2 on “Excess expenditure and its regularisation” in these reports

In respect of the following Grant, the entire expenditure of ₹1.61 crore was incurred without any budget provision as shown below:

Table 3.8: Grant in which entire expenditure was incurred without budget provision during 2021-22

Sl. No.	Grant Number and Description	Section	Provision (₹)	Expenditure (₹)	Purpose
1	XXX – Co-operation	Capital Voted	0	1,61,46,839	Constructions of Office Buildings and Go-downs, Platforms and Compound Wall to the PACS
Total			0	1,61,46,839	

Source: Appropriation Accounts

Further, at sub-head level, the State Government incurred a total expenditure of ₹1,383 crore without any budget provision under 71 Sub-Heads as below:

Table 3.9: Expenditure without Budget provision during 2021-22

Number of Grants / Appropriations	Number of Major Heads	Number of Sub-Heads	Expenditure (₹ in crore)
23	33	71	1,383*

Source: Appropriation Accounts

* This expenditure includes ₹1.61 crore in Grant XXX – Co-operation as mentioned above in Table 3.8

The following five items constitute 79 per cent (₹1,091 crore) of total expenditure without Budget provision:

- (i) ‘Amount Allocable to successor State of TS’ (₹350 crore) under Grant No. IX - Fiscal Administration, Planning, Surveys and Statistics;
- (ii) ‘Subvention from Central Road Fund’ (₹262 crore) under Grant No. XI - Roads, Buildings and Ports;
- (iii) ‘Medical Reimbursement of all types of Pensioners’ (₹246 crore), under Grant No. IX – Fiscal Administration, Planning, Surveys and Statistics;
- (iv) ‘Loans from NABARD for Warehousing Infrastructure Fund (₹133 crore) under Grant No. IX - Fiscal Administration, Planning, Surveys and Statistics;
- (v) Assistance to TSRTC towards payment of Toll fee to TSRDC (₹100 crore) under Grant No. XI - Roads, Buildings and Ports.

The first four items have occurred in previous years and have already been commented upon in the earlier State Finances Audit Reports. The State Government could have included them in the current year’s budget estimates. However, no provisions were made in the Budget for these items.

Overall, there has been a marginal increase in expenditure without approval of the Legislature during the current year (₹1,383 crore) when compared to previous year (₹1,247 crore).

Incurring expenditure persistently without approval of the budget provision by the Legislature undermines the authority of the Legislature. Such consistent expenditure without authorisation

year after year vitiates the system of budgetary and financial control leading to financial indiscipline in management of public resources.

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.

There were persistent Excess Expenditures in the Grants that provide funds for the day-to-day Administration like Fiscal Administration, Home Administration generally 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, Major and Medium irrigation, Housing, Social Welfare, which deal with development and welfare activities. This indicates that the Budgets for the administrative Grants were underestimated, 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 and improper control of progress of expenditure. As shown in **Table 3.6**, there is an overall excess expenditure of ₹8,076 crore during 2021-22. Compared to 2020-21, the total budget provision has increased by 22 per cent¹³ and the expenditure was higher by 12 per cent¹⁴ in 2021-22.

At Grant/ Appropriation level, excess expenditure incurred under 14 sections of 10 Grants and 02 Appropriation (including Public Debt). Under these, an expenditure of ₹1,48,057 crore was incurred against budget provision of ₹73,004 crore (i.e., 203 per cent of the total provision) (details in **Appendix 3.1**), resulting in an excess of ₹75,053 crore.

Analysis at the Major Head (MH) level revealed that there was excess expenditure in 28 Major Heads, whose expenditure (₹1,67,937 crore) was more than provision (₹82,705 crore) by ₹85,232 crore. Apart from internal debt of the State Government (₹66,773 crore), Excess Expenditure occurred under pensions and other Retirement Benefits (₹13,361 crore), Interest Payments (₹1,413 crore), Capital Outlay on Major Irrigation (₹770 crore), Capital outlay on Road Transport (₹738 crore), Welfare of Scheduled Castes, Scheduled Tribes, and other Backward Classes (₹692 crore) and Capital outlay on Water supply and Sanitation (₹545 crore).

¹³ ₹2,55,016 crore in 2021-22 as against ₹2,09,090 crore in 2020-21

¹⁴ ₹2,63,092 crore in 2021-22 as against ₹2,34,088 crore in 2020-21

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

- The major contributor for the excess expenditure during the year 2021-22 was ‘Repayment of Ways and Means Advances’ (₹67,174 crore) for which the original provision was only ₹100 crore with nil supplementary provision, while the actual expenditure was ₹67,274 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 five subheads in Grant No. IX - Fiscal Administration. The same is detailed below:

Table 3.10: 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	30	5,076	5,046
2	Post Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	237	2,243	2,006
3	Family Pension allocable to Successor State of Telangana	4	1,933	1,929
4	Interest on State Development Loans (SDL)	14,636	16,421	1,785
5	Pre Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	4,804	6,143	1,339
	Total	19,711	31,816	12,105

Source: Appropriation Accounts

Except Interest on State Development Loans, on all the remaining items budget provisions were not estimated taking into account of probable expenditure and huge excess expenditures incurred. These items pertain to the pensions on account of allocation between the States of Andhra Pradesh and Telangana consequent to Andhra Pradesh Reorganisation Act, 2014¹⁵. Interest on State Development Loans can also be estimated with reasonable accuracy and the excess expenditure of ₹1,785 crore indicates that either the estimates were not prepared realistically or that it has been consciously under-projected.

During 2021-22, there was significant excess expenditure in other grants as well (more than ₹500 crore in each case), involving the following schemes/Sub-Heads:

¹⁵ 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 3.11: Significant items of excess expenditure under various Grants

(₹ in crore)

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-Head	Amount
1	XXI (Revenue Voted)	Social Welfare	Telangana Dalit Bandhu	3,442
2	XXXI (Capital Voted)	Panchayat Raj	Investment in TDWSCL	1,907
3	XXXIII (Capital Voted)	Major and Medium Irrigation	Investment in Kaleshwaram Corporation	1,548
4	XXVII (Revenue Voted)	Agriculture	Investment Support Scheme	613

Source: Appropriation Accounts

No specific reasons were furnished for the above excess expenditures.

Box 3.1: Irrigation projects with excess expenditure

Irrigation projects are generally differentiated by minor heads. We observed that excess expenditure of ₹1,316 crore occurred in respect of nine projects. Major excess expenditure occurred in Palamuru Rangareddy Lift Irrigation Scheme (Capital Voted - ₹871 crore)¹⁶ and Kaleshwaram Projects (Capital Voted - ₹427 crore)¹⁷ which alone contributed to 98.7 per cent of the excess expenditure under the Grant No. XXXIII - Major and Medium Irrigation Grant.

Apart from this, we observed excess expenditure of ₹1,388 crore¹⁸ under Investments in Public Sector and Other Undertakings. Within this, there was an excess expenditure of ₹1,548 crore¹⁹ towards Investments in Kaleshwaram Irrigation Project Corporation Limited alone. No specific reasons were furnished for the excess expenditures.

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 did not get the excess expenditure of ₹2,14,062 crore over and above the allocation, pertaining to the years 2014-15 to 2020-21, regularised as shown in **Table 3.12** (Grant-wise details are given in **Appendix 3.2**).

¹⁶ Budget Provision: ₹2,223 crore, Expenditure: ₹3,094 crore¹⁷ Budget Provision: ₹2,009 crore, Expenditure: ₹2,436 crore¹⁸ Budget Provision: ₹2,779 crore, Expenditure: ₹4,167 crore¹⁹ Budget Provision: ₹1,524 crore, Expenditure: ₹3,072 crore

Table 3.12: Details of excess expenditure yet to be regularised as of November 2022

(₹ 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	3	13	5	1	
Amount	11,834.44	49.36	111.95	426.43	35,474.26	47,896.44
2020-21						
Number of Grants / Appropriation	6	1	12	2	1	
Amount	9,579.38	2,138.31	601.22	71.97	69,123.67	81,514.54

Source: Appropriation Accounts of years concerned

The excess expenditure is to be regularized after discussion in the Public Accounts Committee (PAC) in the Legislature. The Committee met five times²⁰ to discuss ten²¹ paragraphs pertaining to State Finances Audit Reports. However, the issue of regularisation of expenditure incurred in excess of Legislative authorisation has not yet been taken up.

The persistent excess expenditure over Grants/appropriation approved by the State Legislature is in violation of Article 204 and 205 of the Constitution which provide that no money shall be withdrawn from the consolidated fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

²⁰ May 2018, August 2021 (twice), February 2022 and March 2022

²¹ Paragraphs: 2014-15 (2.5.3, 3.2.1, and 3.2.2); 2015-16 (2.7.2, 3.2.2, and 3.2.3); 2017-18 (2.3, and 3.6); 2018-19 (3.4, and 3.5)

3.4.3 Unspent provision / Savings

During the year 2021-22, the total savings were ₹66,977 crore²². Of this, ₹55,382 crore (i.e., 83 per cent) pertain to 17 sections of 13 Grants with more than ₹1,000 crore remained unspent under each as shown in *Appendix 3.3*.

At Grant section level, Major and Medium Irrigation (Loans Voted - ₹7,466 crore), Weaker Section Housing Programme (Revenue Voted - ₹6,970 crore) and Municipal Administration and Urban Development (Revenue Voted ₹5,156 crore) were the Grants, where more than ₹5,000 crore worth provisions approved by Legislature could not be spent.

In respect of Municipal Administration and Urban development Grant, the entire capital provision of ₹1,962 crore was not spent.

Major savings of more than ₹2,000 crore occurred in following schemes (at sub-head level):

Table 3.13: Significant items of unspent provisions

(₹ in crore)

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-Head	Budget Provision	Expenditure	Savings
1	XXXIII (Loans Voted)	Major and Medium Irrigation	Loans to Kaleshwaram Irrigation Project Corporation Limited	7,197	1,442	5,755
2	XXI, XXII, and XXVII (All Revenue Voted)	Social Welfare, Tribal Welfare and Agriculture	Scheme for debt relief to farmers	5,225	763	4,462
3	XVIII (Revenue Voted)	Weaker Section Housing Programme	Construction of Two Bed Room Houses to the Rural poor	4,470	200	4,270
4	XXXI (Loans Voted)	Panchayat Raj	Loans to Telangana Drinking Water Supply Corporation Limited	5,435	1,174	4,261
5	XVIII, XXI and XXII (All Revenue Voted)	Weaker Section Housing Programme, Social Welfare and Tribal Welfare	Construction of Two Bed Room Houses to Urban Poor	4,085	50	4,035
6	IX and XXII (Both Capital Voted)	Fiscal Administration and Tribal Welfare	Special Development Fund for welfare and development activities	5,073	1,175	3,898
7	XVII, XXI, and XXII (All Capital Voted)	Municipal Administration and Urban development, Social Welfare and Tribal Welfare	Hyderabad Urban Agglomeration	2,600	0	2,600
8	XXI and XXII (Both Revenue Voted)	Social Welfare and Tribal Welfare	Two Bed Room Houses	2,320	0	2,320
9	XXI, XXII and XXXII (All Revenue Voted)	Social Welfare, Tribal Welfare and Rural Development	Interest Free Loans to DWACRA Women (Vaddileni Runalu)	2,250	125	2,125

Source: Appropriation Accounts

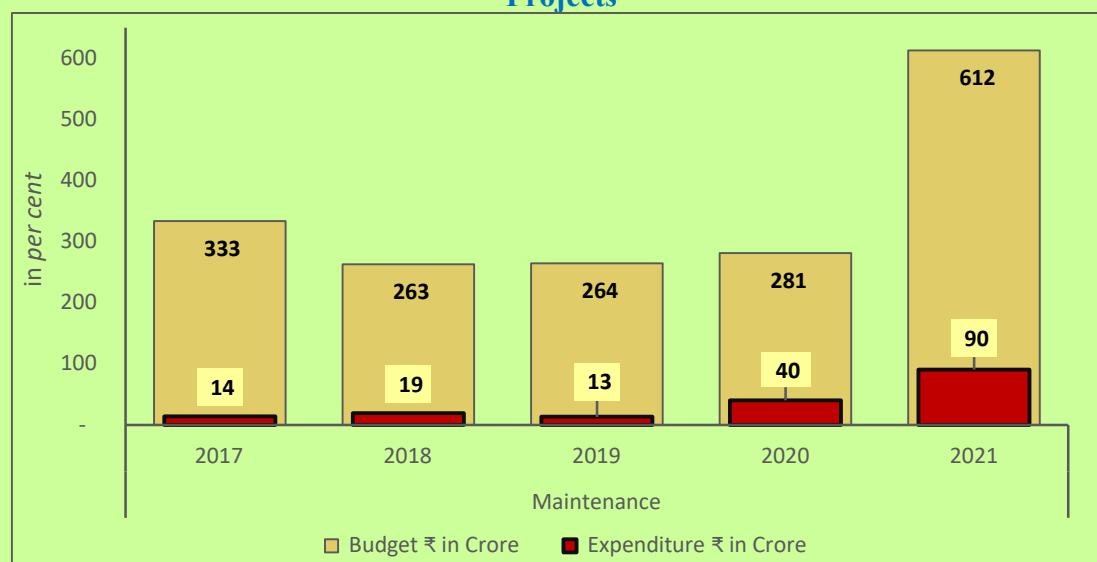
²² ₹66,815 crore in 74 Grant sections and ₹162 crore in 09 appropriation sections

- Hyderabad Urban Agglomeration was a new scheme introduced last year i.e., 2020-21, with a budget of ₹10,000 crore and no amount was spent out of the provision allocated in that year. In the current year also, a provision of ₹2,600 crore was made, and no expenditure was incurred against the provision.
- Entire provision of ₹2,320 crore remained unspent in respect Two Bed-room Houses Scheme during 2021-22.
- Entire provision of ₹500 crore remained unspent in respect of Most Backward Classes Development Corporation under Backward Classes Welfare Grant.
- In respect of irrigation projects, major savings occurred in Kaleshwaram project²³ (under Loans section), Sita Rama Lift Irrigation Scheme²⁴ and Dindi Lift irrigation Scheme²⁵.

Box 3.2: Low expenditure on maintenance of Irrigation Projects

Under Grant No. XXXIII - Major and Medium Irrigation, during the year 2021-22, an amount of ₹612 crore was provided in the Original Budget towards 'Maintenance' (under object head Maintenance in Revenue Voted section). Out of this, a meagre expenditure of ₹90 crore was incurred on maintenance of irrigation projects, resulting in savings of ₹522 crore. Huge savings in maintenance of irrigation projects indicates that intended maintenance was not carried out. This could possibly affect the efficiency of the projects too. Budget allocation and actual expenditure on maintenance of Irrigation Projects during the past five years is shown below:

Chart 3.7: Budget allocation and expenditure on Maintenance of Irrigation Projects



Source: Appropriation Accounts

²³ Budget Provision: ₹7,197 crore, Expenditure: ₹1,442 crore, Savings: ₹5,755 crore

²⁴ Budget Provision: ₹757 crore, Expenditure: ₹219 crore, Savings: ₹538 crore

²⁵ Budget Provision: ₹550 crore, Expenditure: ₹292 crore, Savings: ₹258 crore

3.4.4 Persistent trends

As mentioned in earlier paragraphs, excess expenditures occurred generally during the past five years in the Grants that provide funds for the day-to-day Administration like Fiscal Administration (Revenue Voted), Home Administration (Revenue Voted). 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 indicate that budget monitoring and control in the department was ineffective and/or budget estimates were not prepared realistically.

In two Grants viz., Grant IX – Fiscal Administration (Revenue Voted) and Grant X – Home Administration (Revenue Voted) (except 2021-22), excess expenditure occurred persistently, during the last five years.

Table 3.14: Grants in which persistent excess expenditure occurred during last five years

(₹ in crore)

S. No.	Grant Number, Name and Details	2017-18	2018-19	2019-20	2020-21	2021-22
1	IX – Fiscal Administration, Planning, Surveys and Statistics (Revenue Voted)					
	Grant Provision	15,085	12,881	10,741	10,451	19,377
	Actual Expenditure	17,678	16,871	19,059	19,574	24,593
	Excess	2,593	3,990	8,318	9,123	5,216
2	X – Home Administration (Revenue Voted)					
	Grant Provision	4,262	5,098	5,254	5,642	8,073
	Actual Expenditure	5,220	5,871	5,886	5,909	7,604
	Excess(+)/Saving(-)	958	773	632	267	(-)469

Source: Appropriation Accounts of the years concerned

The quantum of excess expenditure in Fiscal Administration Grant has been increasing during 2017-18 to 2020-21. However, it showed a decline (57 per cent) in 2021-22. In contrast, the Home Administration Grant that had excess expenditure from 2017-18 to 2019-20, registered savings in the current year.

The main reasons for persistent excess expenditure under Grant – IX Fiscal Administration were Service Pensions allocable to successor state of Telangana (₹17,126 crore), Family Pensions allocable to successor state of Telangana (₹6,438 crore), Post – Bifurcation Service Pensions allocable between successor states (₹5,698 crore). Thus, excess expenditure mainly was on account of issues arising out of bifurcation of the erstwhile Andhra Pradesh State, which could have been estimated with reasonable accuracy and included in the budget estimates.

3.4.4.2 Persistent Savings

During the years from 2017-18 to 2021-22, there were four Grant/Appropriation sections, that showed persistent savings of more than ₹1,000 crore each as shown in **Table 3.15**.

Table 3.15: Grants /Appropriations with persistent savings of more than ₹1,000 crore during the years 2017-18 to 2021-22

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Savings rupees in crore (<i>per cent</i>)				
			2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Voted							
1.	XXVII	Municipal Administration and Urban Development (Revenue Voted)	3,086(67)	4,035(67)	1,092(36)	1,949(33)	5,156(60)
2.	XXI	Social Welfare (Revenue Voted)	3,812(40)	4,539(38)	1,810(17)	6,124(40)	3,577(20)
3.	XXII	Tribal Welfare (Revenue Voted)	1,649(31)	2,159(32)	1,065(16)	3,416(36)	2,094(21)
4.	XXVII	Agriculture (Revenue Voted)	1,344(24)	4,178(31)	4,347(28)	4,684(25)	4,401(23)

Source: Appropriation Accounts of the years concerned

- Agriculture (Revenue Voted), which has been receiving high priority during the past few years, registered huge unspent provisions of more than ₹4,000 crore consistently for the past four years. This was mainly on account of Savings in ‘Scheme for debt relief to farmers’ during the past three years and ‘Investment Support Scheme (Rythu Bandhu)’ during 2018-19.
- There has been a huge increase of unspent provision in respect of Municipal Administration and Urban Development (Revenue voted) in the current year on account of ‘Smart cities’, ‘Amrut’, ‘Swachh Bharath’, ‘Assistance to Municipalities / Corporations for interest free loans (Vaddileni runalu)’, and ‘Assistance to Warangal Municipal Corporation’.
- Considerable savings were also noticed in Social Welfare (Revenue Voted) during 2020-21 and 2021-22 comprising the schemes viz., ‘Two Bed Room Houses’, ‘Investment Support Scheme (Rythu Bandhu)’, ‘Economic Support Schemes and LPS’, ‘Scheme for Debt Relief farmers’, and ‘Construction of Two Bed Room Houses to Urban Poor’ schemes.
- Similarly, considerable savings in Tribal Welfare (Revenue Voted) during 2020-21 and 2021-22 occurred in ‘Two Bed Room Houses’, ‘Scheme for Debt Relief farmers’, ‘Construction of Two Bed Room Houses to Urban Poor’ and ‘Aasara pensions’.

In terms of *percentage*, Grants with persistent savings are in the following table:

Table 3.16: Grants / Appropriations with less than 50 per cent utilisation in at least three years during the five-year period (2017-18 to 2021-22)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Utilisation in per cent				
			2017-18	2018-19	2019-20	2020-21	2021-22
1.	XVII	Municipal Administration and Urban Development	45	37	73	35	35
2.	XVIII	Housing (now Weaker Section Housing Programme)	36	47	107	16	20
3.	XXXVI	Industries and Commerce	47	28	77	38	36

Source: Appropriation Accounts of the years concerned

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

- Utilisation of provision under three Grants was less than 50 per cent in four out of the past five years (i.e., except in 2019-20), indicating that these Grants were less prioritised. This issue has been highlighted in the previous State Finances Audit Reports also.
- In particular, the utilisation percentage of allocated provisions with regards to Housing (now Weaker Section Housing Programme) has been considerably less under ‘Construction of Two Bed Room House to Rural Poor’, ‘Construction of Two Bed Room Houses to Urban Poor’, ‘Pradhan Mantri Awas Yojana (Rural)’ and ‘Pradhan Mantri Awas Yojana (Urban)’.
- Unspent provisions were seen under Industries and Commerce occurred in respect of ‘Incentives for Industrial Promotion’.

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, ₹24,144 crore was provided under Supplementary estimates. We observed the following:

- In respect of 23 Sub-heads in 13 Grants, the entire Supplementary Provision of ₹577 crore authorised by Legislature was not spent and withdrawn through Government Orders, indicating that the purposes for which Supplementary Provisions were obtained, were not executed during the year. Out of these, the major items were Investments to Telangana State Industrial Infrastructure Corporation (₹479 crore), Interest Payments - Management of Debt (₹38 crore) and Construction of Court Buildings (₹20 crore).
- In 52 cases, Supplementary Grants of ₹15,340 crore (Rupees one crore and above in each case) *i.e.*, 64 per cent of total Supplementary Grant (₹24,144 crore) was either unnecessary (by ₹3,977 crore) or excessive (by ₹5,227 crore). In another 10 cases, the Supplementary Grant of ₹8,790 crore fell short by 90 per cent of the requirement of ₹83,835 crore²⁶ and proved insufficient.

Table 3.17: Unnecessary / Excessive / Insufficient Supplementary Provision

Sl. No.	Particulars	No. of Grants / Appropriations	Original Provision (₹ in crore)	Supplementary Provision (₹ in crore)	Total Grant (₹ in crore)	Total Expenditure (₹ in crore)	Excess (+) / Savings (-) (₹ in crore)
1	Unnecessary Supplementary	33	96,921	3,977	1,00,897	57,723	(-) 43,174
2	Excessive Supplementary	19	30,729	11,363	42,092	36,865	(-) 5,227
3	Insufficient Supplementary	10	63,083	8,790	71,873	1,46,918	75,045

Source: Appropriation Accounts

Further, the following were also observed:

- In respect of the following sub heads (schemes) the supplementary provision of more than ₹100 crore was unnecessary.

Table 3.18: Schemes where Supplementary Provision of more than ₹100 crore proved unnecessary

(₹ in crore)								
Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
1	XXXVI	Industries and Commerce	Loans to TSIIC	255	330	585	213	372
2	XXXI	Panchayat Raj	Loans to TDWSCL	5,136	300	5,436	1,175	4,261
3	XXXIII	Major and Medium Irrigation	Loans to Kaleswaram Corporation	6,955	242	7,197	1,442	5,755

²⁶ being the difference between actual expenditure of ₹1,46,918 crore and Budget Provision of ₹63,083 crore

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
4	XXVII	Agriculture	Per drop more crop (Micro Irrigation)	5	177	182	0	182
5	XXXIII	Major and Medium Irrigation	Loans to Telangana State Water Resource Infrastructure Development Corporation	1,986	168	2,154	442	1,711
6	XI	Roads, Buildings and Ports	Deposits with Railways for construction of New Railway Lines	150	164	314	95	219

Source: Appropriation Accounts

- Excess supplementary provision was more than ₹1,000 crore in respective of School Education (Revenue Voted). In this, the original provision of ₹11,184 crore was supplemented by ₹2,951 crore and the actual expenditure was ₹12,518 crore, resulting in excess Supplementary provision of ₹1,616 crore.
- In respect of the following sub heads (schemes) the supplementary provision of more than ₹200 crore proved to be excessive.

Table 3.19: Schemes where Supplementary Provision of more than ₹200 crore proved to be excessive

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supplementary	Total	Expenditure	Savings
1	X	Home Administration	District Police Force	2,275	779	3,054	2,837	217
2	XII	School Education	Teaching Grants to Mandal Praja Parishads	3,975	904	4,879	4,585	294
3	XII	School Education	Teaching Grants to Zill Praja Parishads	3,579	1,000	4,579	4,160	420
4	XXXVI	Industries and Commerce	TSIIC	0	479	479	269	210

Source: Appropriation Accounts

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

3.4.6 Re-appropriations, Withdrawal / Resumption of funds, Surrenders

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 as per provisions laid down in Budget Manual.

Government has been issuing orders Re-appropriation/ Resumption orders, to decrease/ to increase the budget provision and for withdrawal/surrender of provisions authorised. The net effect of all such Re-appropriation/ Resumption orders issued by the Government in the current year was net reduction of budget provision by ₹1,27,672 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, ₹821 crore was provided through Re-appropriation orders, in respect of 38 Sub-Heads in 17 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items are:

Table 3.20: Schemes where provisions of than ₹100 crore were made through Re-appropriation Orders without approved budget provision

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Provision through Re-appropriation orders without Budget approval	Expenditure
1	XI	Roads, Buildings and Ports (Revenue Voted)	Subvention from Central Road Fund	262	262
2	IX	Fiscal Administration (Revenue Voted)	Medical Reimbursement of all types of Pensioners	167	246
3	IX	Fiscal Administration (Loans Charged)	Loans from NABARD for Warehousing Infrastructure Fund	132	132
4	XI	Roads, Buildings and Ports (Revenue Voted)	Assistance to TSRTC towards payment of Toll fee to TSRDC	100	100

Source: Appropriation Accounts

No reasons were mentioned for such irregular re-appropriations except mentioning 'increase is based on actual expenditure'.

3.4.6.2 Surrender/Resumption orders 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 soon as they are noticed. However, all the 431 Re-appropriation/ Resumption orders²⁷, for overall reduction of provision by ₹1,27,672 crore, were issued on the last day of the financial year i.e., 31st March.

²⁷ ₹12,388 crore for augmentation of the provision and ₹1,40,060 crore for reduction as per the Appropriation Accounts

The Government informed (November 2022) that it had issued 460 Government Orders for Re-appropriation, of which 437 were issued on the last day of the financial year. The Government, however, did not furnish any specific details.

3.4.6.3 Re-appropriations without specific reasons

None of the orders mentioned specific reasons for such increase or decrease. Generic reasons like 'increase is based on actual expenditure' or 'decrease is based on actual expenditure' were given.

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 (the Act) 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 ₹21,307 crore²⁸ and ₹12,304 crore²⁹ to SCSDF and STSDF respectively from the total outlay of Pragathi Paddu (₹1,26,273 crore) in 2021-22. The allocations account for 17 per cent and 10 per cent under SCSDF and STSDF respectively, which were marginally higher than the norms prescribed by the Act.

However, 27 per cent³⁰ each of the allocated funds under SCSDF and STSDF respectively were not utilised.

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

Table 3.21: 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	2017-18	54	46	54	46
2	2018-19	38	62	57	43
3	2019-20	79	21	74	26
4	2020-21	60	40	63	37
5	2021-22	73	27	73	27

Source: Appropriation Accounts of respective years

²⁸ ₹20,466 crore towards all Departments and ₹841 crore towards non-divisible infrastructure works

²⁹ ₹11,944 crore towards all Departments and ₹360 crore towards non-divisible infrastructure works

³⁰ SCSDF: Budget (O+S): ₹21,108.21 crore, Expenditure: ₹15,472.44 crore (73 per cent) and Savings: ₹5,635.77 crore (27 per cent); STSDF: Budget (O+S): ₹12,691.31 crore, Expenditure: ₹9,275.06 crore (73 per cent) and Savings: ₹3,416.25 crore (27 per cent)

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.

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

An amount of ₹3,044 crore was transferred from Consolidated Fund to Other Deposits during the year 2021-22 by booking expenditure under Revenue (₹2,070 crore), under Capital (₹504 crore) and Loans and Advances (₹470 crore) sections.

Transfers to other Deposits as Revenue Expenditure of more than ₹100 crore occurred in respect of Telangana Minorities Residential Educational Institutions Society (₹359 crore), Chief Executive Officer, Telangana Employees Health Scheme and Journalists Health Scheme (₹204 crore) Telangana State Housing Corporation (₹200 crore), and Arogyasri Health Care Trust (₹127 crore). Transfer to other Deposits as Capital Expenditure occurred in respect of TS Drinking Water Supply Corporation Limited (₹ 501 Crore). Loans to Arogyasri Health Care Trust (₹360 crore) and Horticulture Development Corporation (₹110 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 risk of incurring further expenditure without 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 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, leads to overstatement /understatement of revenue expenditure and Revenue Deficit/Surplus. Hence, the Government needs to take steps to ensure correct classification in the accounts to bring about transparency.

3.4.9.1 Classification of Revenue expenditure under Capital**(i) 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 budgeted and spent ₹43 crore on purchase of surgical consumables under Capital, which should have been actually classified under Revenue.

(ii) Classification of Minor works under Capital

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

However, the State Government budgeted ₹215 crore and spent ₹154 crore towards 'Minor Works' under Capital. Out of this, ₹145 crore was provided for Afforestation Fund towards Minor works, out of which ₹125 crore was expended. An amount of ₹11 crore was budgeted for and ₹24 crore was spent towards maintenance in Minor works under Capital, which is incorrect.

(iii) 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 3.22: Revenue Expenditure classified under Capital Section

Sl. No.	Particulars	Expenditure (₹ in crore)	Remarks
1	Expenditure on the Mahatma Gandhi National Rural Employment Guarantee Scheme	2,156	This Act is intended for enhancement of livelihood by providing guarantee wage employment. 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	431	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	2,587	

Source: Appropriation Accounts

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

3.4.9.2 Classification of Capital expenditure under Revenue

Capital Expenditure is defined as expenditure incurred to create assets of a material and permanent character, or to reduce permanent liabilities, while Revenue Expenditure is recurring in nature. Capital expenditure amounting to ₹68 crore was booked under Revenue Section in the following cases:

Table 3.23: Capital Expenditure booked under Revenue Section

Sl. No.	Particulars	Expenditure (₹ in crore)
1	Purchase of Motor Vehicles	43
2	Machinery and Equipment – Purchases	22
3	Machinery and Equipment – Tools and Plants	3
	Total	68

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 results in the possibility of Government assets not being recorded in the relevant stock registers and not being accurately accounted for.

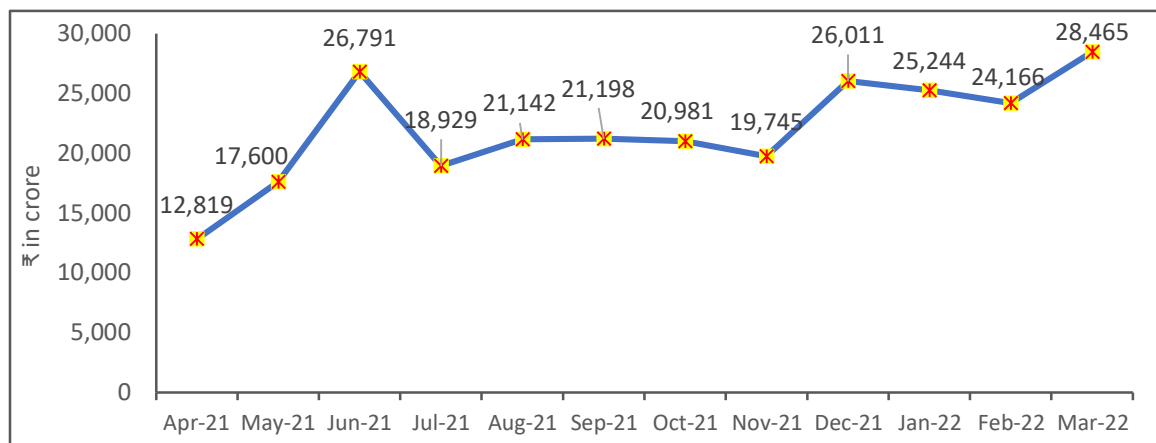
3.5 Effectiveness of budgetary and accounting process

3.5.1 Time spread 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 months of the financial year adversely affects quality of expenditure and delivery of the services.

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

Chart 3.8: Trend of expenditure during 2021-22



Source: Appropriation Accounts

The expenditure was higher towards the end of financial year from December 2021 to March 2022. The higher expenditure in June 2021, December 2021 and January 2022 was on account of Investment Support Scheme (Rythu Bandhu). Higher outgoes in March 2022, apart from repayment of Ways and Means Advances, is attributable to Interest on State Development Loans and Assistance to TRANSCO for agricultural and allied subsidies.

3.5.2 Major Policy Initiatives – CM Dalit Empowerment Programme (Dalit Bandhu)

A new scheme named ‘CM Dalit Empowerment Programme’ with an allocation of ₹1,000 crore was proposed in the Budget speech of 2021-22. The Schemes aims to intensify the level of financial assistance to Scheduled Caste (SC) households in a phased manner for establishment of income generating assets/schemes as per the choice of beneficiaries without bank loan component.

Under the scheme, a one-time capital assistance of ₹10 lakh per house hold would be provided to SC households by the District Administration as complete grant/subsidy for establishment of a viable income generating unit/scheme. Out of this capital assistance, ₹9.90 lakh would be released to beneficiary’s Dalit Bandhu account. The remaining ₹0.10 lakh would be credited to Rakshana Nidhi common account³¹.

The SC households can choose from the available list of schemes or any other scheme of choice in such a way that it is financially viable and capable of generating sizeable income. Dalit Bandhu Committees would be constituted at Village, Mandal and Constituency level for guiding and advising both the district administration and beneficiaries.

The financial aspects and budgetary controls of the scheme were briefly reviewed to assess the preparedness and implementation of the scheme in its first year and the following are observed:

- (i) **Expenditure higher than the original Budget provision:** The scheme is being implemented through Grant XXI – Social Welfare by the Scheduled Castes Development Department. The details of Budget provision approved by the Legislature, original as well as supplementary and expenditure are shown below:

Table 3.24: Budget allocation and expenditure on Telangana Dalit Bandhu

Original provision (₹ in crore)	Supplementary Provision (₹ in crore)	Total Grant (₹ in crore)	Total Expenditure (₹ in crore)	Excess (₹ in crore)
1,000	0	1,000	4,442	3,442

Source: Appropriation Accounts

Incidentally, there were major savings totalling to ₹3,498 crore under Social Welfare Grant in (i) Economic Support Scheme (₹1,338 crore), (ii) Two Bedroom Houses (₹1,275 crore) and (iii) construction of Two Bedroom Houses for urban poor (₹885 crore). These savings could have been timely re-appropriated to the CM Dalit Empowerment Scheme to meet the Excess expenditure.

³¹ Dalit Bandhu Rakshana Nidhi shall be created at Assembly Constituency level with contribution of ₹10,000 from the sanctioned amount of each household and equal contribution from the Government. Every year ₹1,000 would be contributed by the beneficiary household. This fund is aimed to safeguard and protect the households in any critical and unforeseen emergencies and would be operated by committee consisting of beneficiaries on the advice of District Collector

- (ii) **Non-obtaining of supplementary provision:** The details of month-wise expenditure on the scheme is as shown below:

Table 3.25: Month-wise Expenditure on Dalit Bandhu

Month	Expenditure (₹ in crore)
July 2021	500
August 2021	1,500
October 2021	250
January 2022	1,192
March 2022	1,000

Source: Finance and Appropriation Accounts

Though an expenditure of ₹3,442 crore was incurred by January 2022 against Original Provision of ₹1,000 crore no Supplementary Provision was obtained in March 2022.

- (iii) **Amounts lying in Deposit Accounts:** As per Government accounts, expenditure of ₹4,442 crore was booked during the year. This was done so by transferring³² the amount to Deposit Account (i.e., a Public Account) of Telangana Scheduled Castes Cooperative Development Corporation Limited (TSCCDCL). Out of this, TSCCDCL transferred ₹3,107 crore from the Deposit Account to its bank account. An amount of ₹1,335 crore³³ was still in the Deposit Account of TSCCDCL.
- (iv) **Amounts lying in the Bank Accounts:** Out of the ₹3,107 crore transferred³⁴ to bank account of TSCCDCL, ₹3,041 crore was further transferred to District Administration for implementation of the Scheme, leaving a balance of ₹66 crore in the Bank account. Out of the transferred amounts, ₹157 crore was returned by District Administration of Karimnagar to TSCCDCL in March 2022. Thus, an amount of ₹223 crore was lying in the bank account of TSCCDCL. Reasons for non- utilisation of the funds were not intimated.
- (v) **Amounts lying with District Administrations:** Out of the ₹3,041 crore transferred to District Administrations and ₹157 crore returned, only an amount of ₹2,101 crore was utilised, leaving a balance of ₹783 crore with the district administration. Reasons for non-utilisation of the funds were not intimated.

Hence, only ₹2,101 crore (i.e, 47 per cent) of the expenditure booked was actually spent and that the balance ₹2,341 crore³⁵ remained unspent and was lying with different offices. This indicates that financial achievement of the scheme was less than half.

- (vi) **Focus on single constituency in single month:** The scheme was initially piloted in saturation mode in Huzurabad constituency of Karimnagar district, Vasalamarri village of Aler constituency and one Scheduled Caste constituency each in Suryapet, Khammam, Nagarkurnool and Kamareddy districts. The scheme was later extended to all remaining 118 constituencies in the state on target mode at the rate of 100 units per Assembly Constituency in the financial year 2021-22. The details of amounts released to various constituencies is shown below:

³² from July 2021 to March 2022

³³ Total amount lying in the Deposit Account of TSCCDCL was ₹5,456 crore as of March 2022

³⁴ from August 2021 to March 2022

³⁵ With TSCCDCL in Deposit Account (Public Account): ₹1,335 crore; with TSCCDCL in current account: ₹223 crore and with district administration: ₹783 crore

Table 3.26: Details of releases under Dalit Bandhu

Month	Constituency and other details	Releases (₹ in crore)
August 2021	Huzurabad constituency	2,000
August 2021, March 2022	Vasalamarri village of Aler constituency	8
December 2021	One SC constituency of Suryapet, Khammam, Nagarkurnool and Ranga Reddy	250
January to March 2022	Remaining Districts except Karimnagar	783
	Total	3,041

Source: information furnished by the department

The focus was on a single constituency in the month of August 2021. However, in the later months, there were no releases or expenditure, despite availability of the funds.

- (vii) **Slow implementation of the Scheme despite availability of funds and receipt of applications:** Out of the 38,511 applications received during 2021-22, sanctions were given in respect of 21,339 applications as of March 2022. In respect of five districts, benefit was not given to even a single beneficiary, as shown below:

Table 3.27: Nil sanctions despite availability of funds and receipt of applications

Sl. No.	District	Amount released (₹ in crore)	As on	Number of applications received but not disposed
1	Bhadradi Kothagudem	29	31 March 2022	421
2	Jayashankar Bhupalapally	10	31 March 2022	151
3	Mulugu	8	31 March 2022	119
4	Rajanna Siricilla	14	31 March 2022	205
5	Nirmal	17	31 March 2022	256

Source: information furnished by the department

The receipt of applications suggested that there was sufficient interest from potential beneficiaries. However, scheme implementation was slow as funds remained unspent/were not sanctioned.

3.5.3 Review of selected Grants

Two Grants viz., (i) Grant No. X – Home Administration, and (ii) Grant No. XI Roads Buildings and Ports were selected for detailed scrutiny. Both the Grants had significant savings as shown in **Table 3.28:**

Table 3.28: Budget Provision, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

Section	Original	Supplementary	Total	Expenditure	Excess(+)/ Savings(-)	Re-appropriation / Surrender
Grant No. X -Home Administration						
Voted						
Revenue	6,022	2,051	8,073	7,603	(-470)	(-4,359)
Capital	340	397	737	424	(-314)	(-314)
Loans	103	0	103	102	(-1)	(-1)
Subtotal	6,465	2,448	8,913	8,130	(-783)	(-4,674)
Charged						
Revenue	0	1	1	0	(-1)	0
Grant X Total	6,465	2,449	8,914	8,130	(-784)	(-4,674)

Section	Original	Supplementary	Total	Expenditure	Excess(+)/ Savings(-)	Re- appropriation / Surrender
Grant No. XI – Roads, Buildings and Ports						
Voted						
Revenue	1,939	122	2,061	1,700	(-)361	(-)362
Capital	5,434	722	6,156	3,395	(-)2,761	(-)2,763
Loans	1,221	--	1,221	154	(-)1,067	(-)1,067
Subtotal	8,594	844	9,438	5,249	(-)4,189	(-)4,192
Charged						
Revenue	3	--	3	1	(-)2	(-)2
Capital	75	30	105	30	(-)75	(-)75
Subtotal	78	30	108	31	(-)77	(-)77
Grant XI Total	8,672	874	9,546	5,280	(-)4,266	(-)4,268
Total	15,137	3,323	18,460	13,410	(-)5,050	(-)8,942

Source: Appropriation Accounts

Audit findings on the above Grants are detailed in the following paragraphs:

3.5.3.1 Grant X – Home Administration

This Grant is administrated by Home Department. The original allocation (₹6,465 crore) to Home Administration was three *per cent* of the total original provision of ₹2,30,872 crore. The supplementary provision was 10 *per cent* of the total supplementary provision of ₹24,144 crore. The expenditure incurred (₹8,130 crore) constituted three *per cent* of total expenditure. The surrender of ₹4,674 crore is 52.42 *per cent* of the total provision for Home Administration. This is more than the eventual saving of ₹784 crore.

(i) Original provision not spent

In the Capital Voted section, entire original provision of ₹20 crore provided towards ‘Construction of Women Toilet in Police Stations’ remained unspent. Director General of Police (DGP) informed (November 2022) stated that the amount could not be spent due to delay in identification of suitable locations.

(ii) Supplementary provisions

The supplementary provision made to the original provision, mainly under District Police Force, City Police Force, Telangana Special Police Units, Commissioner of Cyberabad Police and Commissioner of Rachakonda Police was 36 per cent. The need for high supplementary provision arose mainly on account of implementation of Pay Revision Commission.

In one case, an amount of ₹1 crore was provided in original budget estimates towards ‘Safe City Project for Safety of Women in Hyderabad City (Nirbhaya Fund)’. This was supplemented by ₹176 crore for clearing pending bills. However, only ₹12 crore was incurred. Commissioner of Police, Hyderabad stated (November 2022) that the savings in the budget for financial year 2021-22 under the scheme Safe City Project has been revalidated and released in the financial year 2022-23. However, the original budget provision in 2022-23 was also only ₹3 crore indicating that no provision was made for clearing the pending bills in the next year, as stated.

(iii) Irregular Re-appropriation provisions

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. In contravention of the above, ₹39 crore was provided through Re-appropriation orders towards purchase of motor vehicles without Original or Supplementary Provision. The expenditure was incurred through Abstract Contingent Bills.

(iv) Surrender in excess of saving / surrenders despite excess

In the following cases surrenders were in excess of actual saving:

Table 3.29: Surrender in excess of saving

(₹ in crore)

Sl. No.	Sub-Head / Scheme	Original	Supplementary	Total	Expenditure	Excess (+)/ Savings (-)	Surrender
Surrender despite excess expenditure							
1	Commissioner of Cyberabad Police	379	170	549	557	8	432
2	Commissioner of Rachakonda Police	343	165	508	523	15	415
Surrender in excess of Saving							
3	District Police Force	2,275	779	3,054	2,837	(-) 217	2,538
4	Telangana Special Police Units	545	231	776	670	(-) 106	621

Source: Appropriation Accounts

3.5.3.2 Grant XI—Roads, Buildings and Ports

This Grant is administered by Roads and Buildings Department. The original allocation (₹8,672 crore) to this Grant in the Budget was 3.75 per cent of the total Original Budget provision (₹2,30,872 crore). Subsequently, supplementary provision ₹874 crore was made under this Grant, constituting 3.62 per cent of the total supplementary provision (₹24,144 crore). However, ₹5,280 crore was spent out of ₹9,546 crore, resulting in unspent provision of ₹4,266 crore.

(i) Budget proposals

Audit has collected information from the four Heads of the Departments (HoD) regarding Budget proposal by the Department and accepted by the Finance Department. The information furnished by the HoD is shown below:

Table 3.30: Budget proposed by the Heads of the Department and Accepted by the Finance Department

(₹ in crore)

Sl. No.	Head of the Department	Budget proposed by the Department	Proposal stated to be accepted by the Finance Department
1	Engineer-in-Chief, State Roads, and Core Road Network	6,565	2,757
2	Chief Engineer, Rural Roads	403	108
3	Chief Engineer, Administration and Quality Control, Design and Planning, Left Wing Extremism Works, Railway Safety Works	1360	850
4	Engineer-in-Chief, National Highways, Central Road Fund and Buildings	1,281	1,454
Total		9,609	5,169

Source: information furnished by Heads of the Department

However, the nomenclature of Chief Controlling Officers mentioned in the Budget documents was different from the above.

Table 3.31: Budget allocations authorised

(₹ in crore)

Sl. No.	Head of the Department	Approved Original Budget proposals
1	State Roads Department, Secretariat Department	2,163
2	Engineer-in-Chief, Roads and Head of the Department	2,677
3	Administration and Externally Aided Project (R&B)	142
4	Errum Manzil	193
5	Chief Engineer, Rural Roads	958
6	Chief Engineer (R&B), PPP	10
7	Engineer-in-Chief, Central Road Fund	2,529
	Total	8,672

Source: Budget Documents

In view of different nomenclature and lack of sub-wing wise break up, audit could not map budget proposals vis-à-vis approved allocation in respect of different Heads of Accounts and Heads of the Departments / Chief Controlling Officers.

(ii) Expenditure without Budget Provision

Cases of expenditure without authorisation are mentioned in **paragraph 3.4.1**. Three such cases were noticed in this Grant viz., (i) Subvention from Central Road Fund (₹262 crore), (ii) Assistance to TSRTC towards payment of toll fee to TSRDC (₹100 crore), and (iii) Special Assistance Capital Works (₹56 crore). In case of (ii), Special Secretary to Government, Transport, Roads and Buildings Department stated (September 2022) that Budget Release Orders were issued by Finance Department.

(iii) Withdrawal of entire original provision

- An amount of ₹750 crore was allocated for Regional Ring Road to meet the expenditure towards land acquisition. However, as land acquisition could not be done due to changes in the finalisation of alignment by the National Highways Authority of India, entire provision could not be utilised.
- An amount of ₹571 crore was allocated as Loans to Telangana State Road Development Corporation (TSRDC). However, the entire provision was Re-appropriated / Resumed without any expenditure. On other hand, a supplementary provision of ₹100 crore was made towards Investments in TSRDC in March 2022, which was later augmented by ₹473 crore. No reasons were forthcoming for either withdrawal of entire provision authorised for loans or provision of investment subsequently through supplementary provision / re-appropriation.

(iv) Unnecessary supplementary provisions

- In respect of Revenue voted section, as the expenditure of ₹1,700 crore fell short of even the original provision of ₹1,939 crore, the supplementary provision of ₹122 crore proved unnecessary. This was mainly on account of District and other roads under Government where an original provision of ₹679 crore was supplemented by ₹40 crore. However, only ₹215 crore was spent, resulting in unspent provision of ₹504 crore.

- In respect of Capital voted section, as the expenditure of ₹3,395 crore fell short of even the original provision of ₹5,434 crore, the supplementary provision of ₹722 crore proved unnecessary. This was mainly on account of Deposits with Railways for construction of New Railway Lines where an original provision of ₹150 crore was supplemented by ₹164 crore. However, only ₹95 crore was spent, leaving an unspent provision of ₹219 crore, due to part clearance of bills submitted.
- An amount of ₹50 crore was provided originally for setting up new Airport in Telangana State. This was supplemented by another ₹3 crore. However, there was reduction in the provision equivalent to the original provision i.e., ₹50 crore and expenditure of ₹3 crore was incurred. Thus, the supplementary provision was not necessary. Engineer-in-Chief, State Roads and Core Road Network informed (October 2022) that expenditure could not be incurred as the proposals were in Detailed Project Report stage.

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 have to take prior concurrence of the Principal Accountant General, Accounts and Entitlements (PAG (A&E)), Telangana before opening any new sub-head.

In the year 2021-22, the Government, however, opened 21 new sub-heads (16 under Revenue³⁶, 04 under Capital³⁷ and 01 under Public Account³⁸) without prior concurrence of the PAG (A&E). Original provision made under these sub-heads was ₹1,331 crore. Including supplementary provision of ₹117 crore, the total provision was ₹1,448 crore. Against this, an expenditure of ₹4,912 crore was incurred.

Opening of new sub-heads without concurrence of Principal Accountant General (A&E) is fraught with the risk of having two or more sub-heads for same scheme and same sub-head for two or more schemes, both of which might impact the transparency of accounts.

3.6 Conclusion

Review of Budgeted components under both receipts and disbursements revealed that Non-Tax Revenue and Grants-in-Aid have been over-estimated resulting in meagre realisation when compared to actuals. Consequently, the Budget Estimates for expenditure have also been overestimated leading to unspent provision across several grants. The trend of under-estimation of administrative expenses and over-estimation of development and welfare grants continued this year too, resulting in excess expenditure in the former and unspent provisions in the latter. A similar trend is observed in respect of charged and voted expenditure also. Huge provisions in current year remained unspent in respect of Scheme for Debt relief to farmers, Construction of Two Bed Room Houses to Rural and Urban

³⁶ Budget Provision: ₹1,384 crore, Expenditure: ₹4,871 crore

³⁷ Budget Provision: ₹64 crore, Expenditure: ₹39 crore

³⁸ Budget Provision: Nil, Expenditure: ₹02 crore

Poor, Hyderabad Urban Agglomeration, Most Backward Classes Corporation, maintenance of irrigation projects, etc.

Entire supplementary provisions in some cases were not utilised suggesting that there was no necessity to even obtain them. Misclassifications of expenditure on surgical consumables, minor works on afforestation under Capital and purchase of machinery, equipment, motor vehicles, tools and plans under Revenue continued in the current year also.

Excess expenditure over the legislative authorisation is also a matter of concern. During 2021-22, an amount of ₹75,053 crore was incurred as excess expenditure. The State Government also failed to get the excess expenditure of ₹2,14,062 crore over and above the allocation, pertaining to the years 2014-15 to 2020-21, regularised by State Legislature. This is in violation of Article 204 of the Constitution.

Initial review of the new Major Policy Initiative launched during the year, viz., Dalit Bandhu revealed that there were huge unspent balances available in Deposit Accounts and Bank Accounts though the expenditure was booked as per Appropriation Accounts. Moreover, several applications of the beneficiaries were not disposed of, despite availability of funds. Out of all the Constituencies selected for pilot implementation, expenditure was mainly incurred in only one constituency and that too in one particular month.

3.7 Recommendations

- i. *The State Government needs to ensure regularisation of excess expenditures since 2014-15 by the State Legislature on priority.*
- ii. *State Government needs to formulate Budget Estimates on realistic and realisable basis for effective implementation of its authorised expenditures. Particularly, the Government may ensure estimation of Non-Tax Revenue and Grants-in-Aid in a practical manner.*
- iii. *Stringent logical controls may be put in place to avoid expenditure without budget provisions / excess expenditure over and above authorisation.*
- iv. *Departments may be advised to seek supplementary provisions only in respect of the items which could be actually utilised within the timeframe.*
- v. *State Government may ensure that prior concurrence is obtained from Principal Accountant General (A&E) for opening new Sub-Heads/Detailed Heads of accounts.*

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 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 Funds outside Government Accounts

As per Article 266 (1) of the Constitution of India, all revenues received by the Government, all loans raised by that Government by the issue of treasury bills, loans or Ways and Means Advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of the State". Further, as per Article 266 (2), all other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the State, as the case may be. Article 266 (3) prescribes that no money out of any Consolidated Fund shall be apportioned except in accordance with law for the purposes and in the manner provided for in the Constitution.

In the following cases, funds/public monies were lying outside the Government Account as detailed below.

4.2.1 Telangana Haritha Nidhi

Government of Telangana launched (2015) "Telangana Ku Haritha Haram" Programme with a goal of afforestation. With the objective of enhancing plantation activity and sustaining it in the long run, the Chief Minister of the State announced (October 2021) the "Telangana Haritha Nidhi", a dedicated Green Fund for Telangana State¹. Telangana Haritha Nidhi would be funded by contributions from public representatives, Government employees and other sections of society and a predefined portion of taxes, fees and other levies that the State Government imposes. The Forest Department would be the nodal department to operate the fund.

¹ Preamble of EFS&T (For.I) Dept. G.O.Rt.No. 139 dt.16.12.2021

To effectively manage the fund and implement its activities, Government issued orders² regarding (i) establishment of a State Level Committee (ii) functions of State Level Committee (iii) activities for which the fund would be utilized (iv) and the Financial and Administrative arrangements in respect of the Fund. Subsequently, the Government issued orders³ specifying the quantum of contribution to the fund from salaries/ honorarium/ remuneration of public representatives⁴, Works contracts⁵, Constituency Development Fund⁶, issue of licenses⁷ and salaries of all categories of employees⁸. All the contributions would be credited into the Telangana Green Fund Account maintained in a Nationalised Bank viz., State Bank of India. The Principal Chief Conservator of Forests stated that ₹1.31 lakh was received during 2021-22 towards this fund. No expenditure was incurred during the year.

To an Audit query, the Department has stated (October 2022) that that the fund was created with concurrence of the Finance Department as per Government Orders. **The fact remains that creation of a fund outside the Government Account results in moneys lying outside and may result in expenditure without Legislative oversight.**

4.2.2 Funds parked in Single Nodal Agency Accounts

Government of India, Ministry of Finance, Department of Expenditure, issued guidelines⁹ for opening of Single Nodal Account for each Centrally Sponsored Scheme (CSS) at the State level. As per the guidelines, every State Government will designate a Single Nodal Agency (SNA) for implementing each CSS. The SNA will open a Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorized by the State Government to conduct government business. The other accounts of the Implementing Agencies are required to be closed or converted to zero balance account and funds lying unutilized in these accounts are to be returned to the Single Nodal Account of the scheme. A certificate to the effect shall be furnished by the Secretary of the concerned Department of the State Government by 31 January 2022.

² Government of Telangana, EFS&T (For.I) Department, G.O.Rt.No.139 dt.16.12.2021

³ Government of Telangana, Finance (TFR) Department, G.O.Ms.No.17 dt.18.02.2022 and Government of Telangana, Finance (TFR) Department, G.O.Ms.No.16 dt.18.02.2022

⁴ (i) Honourable Member of Parliament/Member of Legislative Assembly/Member of Legislative Council/ Chairmen of Corporations: ₹6,000 per annum, (ii) All Chairmen of the Corporations and Chair Persons of Zilla Parishad: ₹1,200 per annum, (iii) Chair Persons of Mandal Praja Parishad/Zilla Parishad Territorial Constituency President: ₹600 per annum and (iv) Mandal Parishad Territorial Constituencies, Corporators, Municipal Counsellors and Surpanches: ₹120 per annum

⁵ 0.01 per cent

⁶ 10 per cent

⁷ (i) each issue or renewal of license to Shops and Business establishments: ₹1,000; (ii) each issue of renewal of license and permit to Bar and Wineshops: ₹1,000

⁸ (i) All India Services: ₹1,200 per annum; (ii) All State Government Gazetted and Non-Gazetted Employees, Teachers, Grand-in-Aid employees including Corporations, Societies, Universities and Institutions under the control of State Government: ₹300 per annum

⁹ F.No. 1(13) PFMS/FCD/2020, dated 23 March 2021

Accordingly, in respect of 78 CSSs in the State, 85 SNAs¹⁰ have been designated and corresponding accounts have been opened in the Banks during 2021-22. While 36 SNA accounts had nil balances, ₹1,201 crore was lying in commercial banks in the remaining 49 SNA accounts¹¹ as of March 2022.

4.2.3 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 Fund¹² “State Compensatory Afforestation Fund (SCAF)” under Public Account. However, as of March 2022, an amount of ₹105 crore¹³, was kept in a Nationalised Bank account, outside the Public Account, which is against the provisions of CAFA.

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 2021-22, the State Government did not discharge interest liability of ₹182 crore in respect of balances (lying as of 1 April 2021) in the interest-bearing Reserve Funds and Deposits, as shown below:

¹⁰ In the following cases more than one account was found: (i) Modernisation of Police Forces (2 accounts), (ii) Promotion of Apprenticeship (2 accounts), (iii) National Rural Livelihood Mission (3 accounts), (iv) Mahatma Gandhi National Rural Guarantee Programme (2 accounts), (v) Sankshem Anganwad and Poshan 2.0 (2 accounts) and (vi) Sambal (Beti Bachao Beti Padhao) (2 accounts)

¹¹ corresponding to 42 CSSs

¹² In interest bearing section under Major Head of Account 8121- General and other Reserve Funds followed with Minor Head of Account 129

¹³ Including previous and current years’ unspent balances and interest accrued in Banks

Table 4.1: Non-Discharge of interest liability

(₹ in crore)

Sector	Sub-sector	Minimum rate of interest estimated	Balance as of April 2021	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 (two <i>per cent</i> over Ways and Means interest rate i.e., six <i>per cent</i>) under Overdraft regulation Guidelines of the Reserve Bank of India	1,436*	86
J-Reserve Funds	State Compensatory Afforestation Fund (MH 8121-129-State Compensatory Afforestation Fund)	Interest rate of 3.35 <i>per cent</i> fixed by Ministry of Environment, Forest & Climate Change (National Authority)	2,257	76
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 <i>per cent</i>	287	20
Total Interest Due				182

Source: Finance Accounts

* Out of the ₹1,556 crore closing balance available in State Disaster Response Fund as of 31 March 2021, an amount of ₹120 crore was transferred (March 2022) to State Disaster Mitigation Fund (SDMF). Hence, the interest is calculated on the balance amount only. No interest liability is calculated on SDMF as the opening balance was Nil.

Non-payment/short payment of the interest amounting to ₹182 crore has resulted in understatement of Revenue and Fiscal Deficit to that extent.

Further, the balances under Deposits of other Autonomous Bodies and Miscellaneous Deposits (which are under the category of Deposits bearing interest) were ₹2,349 crore and ₹143 crore respectively, as of 01 April 2021. The Government has not paid interest on these deposits for the past seven years.

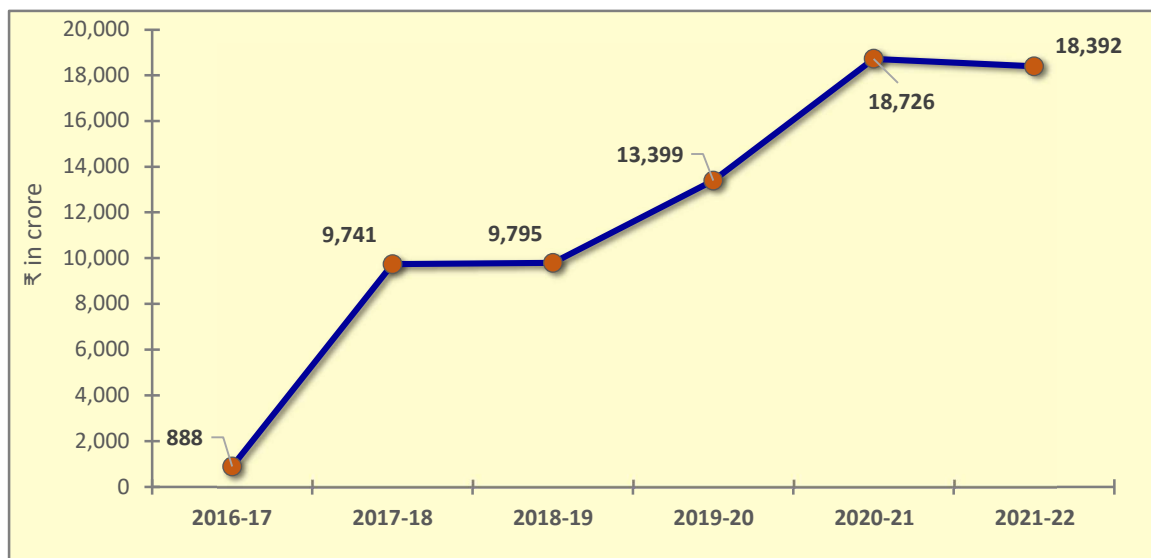
Undischarged liability in the current year increases the burden on the Government's Revenue Expenditure at a future date.

4.4 Funds transferred directly to State Implementing Agencies

With effect from 01 April 2014, 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 the implementing agencies. However, Government of India transferred an amount of ₹72,225 crore¹⁴ directly to the State Implementing Agencies in Telangana during 2014-15 to 2021-22.

Details of direct transfer of funds to the implementing agencies during the last six years are given in **Chart 4.1**:

¹⁴ (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 and (viii) 2021-22: ₹18,392 crore

Chart 4.1: Funds transferred directly to implementing agencies during 2016-17 to 2021-22

Source: Finance Accounts

The quantum of funds transferred directly by the Central Government in 2021-22 was 1,971 *per cent* more than the funds transferred (₹888 crore) in 2016-17. Direct releases were more prominent in respect of Mahatma Gandhi National Rural Employment Guarantee Scheme (₹35,175 crore¹⁵) and Food Subsidy for Decentralized Procurement of Food grains under National Food Security Act (₹25,397 crore¹⁶) and Pradhan Mantri Kisan Samman Nidhi Scheme (₹7,020 crore¹⁷).

During 2021-22, Government of India released ₹18,392 crore directly to the State Implementing Agencies in Telangana. This is marginally less than previous year. Details of all such direct transfers during 2021-22 are available in 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 in 2021-22

Sl. No.	Scheme	Amount (₹ in crore)
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	7,973
2	Food Subsidy for Decentralised Procurement of Food grants under NFSA	7,665
3	Pradhan Mantri Kisan Samman Nidhi	2,280

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.

¹⁵ (i) 2016-17: ₹390 crore, (ii) 2017-18: ₹5,094 crore, (iii) 2018-19: ₹6,376 crore, (iv) 2019-20: ₹6,336 crore, (v) 2020-21: ₹9,006 crore, and (vi) 2021-22: ₹7,973 crore

¹⁶ (i) 2017-18: ₹3,854 crore, (ii) 2018-19: ₹2,559 crore, (iii) 2019-20: ₹4,439 crore, (iv) 2020-21: ₹6,880 crore, and (v) 2021-22: ₹7,665 crore

¹⁷ (i) 2018-19: ₹377 crore, (ii) 2019-20: ₹2,176 crore, (iii) 2020-21: ₹2,187 crore, (iv) 2021-22: ₹2,280 crore

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.¹⁸, while that of Municipalities is towards water supply, sanitation, public streets, street lighting, markets, etc.¹⁹. The details of Deposits of Local Funds are as under:

Table 4.3: Deposits of Local Funds

(₹ in crore)

Fund	Head of Account		2017-18	2018-19	2019-20	2020-21	2021-22
Urban Local Bodies							
Municipal Funds	(8448-102)	Opening Balance	942.52	1,285.66*	1,677.95	1,848.09	2,510.63
		Receipts	1,251.23	1,739.88	2,199.67	3,221.09	1,528.19
		Expenditure	1,103.67	1,347.59	2,029.53	2,558.55	2,201.02
		Closing Balance	1,090.08	1,677.95	1,848.09	2,510.63	1,837.80
Panchayat Raj Institutions							
Village Panchayat Fund	(8448-109-01)	Opening Balance	568.98	923.81*	1,453.38	1,578.70	2,204.50
		Receipts	1,739.65	1,945.25	2,897.50	3,920.30	3,031.76
		Expenditure	1,788.25	1,415.68	2,772.18	3,294.50	3,581.56
		Closing Balance	520.38	1,453.38	1,578.70	2,204.50	1,654.70
Mandal Praja Parishad Funds	(8448-109-02)	Opening Balance	(-)45.62	101.31*	142.91	91.62	285.66
		Receipts	159.46	158.19	129.90	331.09	470.49
		Expenditure	92.10	116.59	181.19	137.05	281.24
		Closing Balance	21.74	142.91	91.62	285.66	474.91
Zilla Parishad Funds	(8448-109-03)	Opening Balance	(-)33.72	287.32*	364.09	372.90	408.39
		Receipts	206.90	203.15	265.66	203.92	252.02
		Expenditure	147.85	126.38	256.85	168.43	148.69
		Closing Balance	25.33	364.09	372.90	408.39	511.72
Total Closing Balance of Panchayat Raj Institutions Funds to the end of the year			567.45	1,960.38	2,043.22	2,898.55	2,641.33

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 (₹1,838 crore) included the following:

- XIII Finance Commission Grants (₹812 crore);
- General Funds (₹400 crore);
- Municipal Corporation Fund (₹390 crore); and
- Municipal Employees Salary Fund (₹179 crore).

¹⁸ Telangana Panchayat Raj Act, 2018

¹⁹ Telangana Municipalities Act, 2019

The Village Panchayat Fund (₹1,655 crore) included the following:

- XIII Finance Commission Grants for Gram Panchayats (₹892 crore);
- State Finance Commission Grants (₹389 crore); and
- General Funds (₹373 crore);

An amount of ₹1,704 crore, pertaining to XIII Finance Commission Grants given to Local Bodies was available in the Public Account. This indicates that the huge amounts released under XIII Finance Commission (2010-2015) are still lying the Public Account even after a lapse of seven years, without being expended.

As mentioned in *paragraphs 1.4* and *2.6*, the balance under Public Account after disbursements is the fund available to the Government for specific purposes. Hence, having sizeable amounts in various heads of Public Account for prolonged periods indicate non-utilisation of funds for the intended purposes.

Issues related to Transparency

4.6 Delay in submission of Utilisation Certificates

As per Article 211-A.2 of the Financial Code, where grants are sanctioned for specific purposes with conditions, the departmental officer concerned should furnish Utilisation Certificates to the Principal Accountant General (A&E), certifying the fulfilment of such conditions.

Utilisation Certificates (UCs) for 49 orders for release of grants issued (amounting to ₹3,313 crore) from April 2017 to March 2021, in respect of various schemes²⁰ pertaining to Municipal Administration and Urban Development Department²¹, were not forwarded to Principal Accountant General (Accounts and Entitlements) as of March 2022. The year-wise details are shown in the next table:

Table 4.4: Year-wise arrears in submission of Utilisation Certificates

Year	UCs due as of March 2022	
	Number	Amount (₹ in crore)
Up to 2020-21	33	1,616
2021-22	16	1,697
Total	49	3,313

Note: The year mentioned above relates to “Due Year” i.e., after 15 months of actual drawal

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

In the absence of the utilisation certificates, it cannot be ascertained whether the grants were actually utilised for the intended purposes or not.

²⁰ Atal Mission for Rejuvenation and Urban Transformation, XIV Finance Commission Grants, Jawaharlal Nehru National Urban Renewal Mission and Smart Cities etc.

²¹ For which sanctions were accorded with a stipulation that the Grant receiving authority shall submit UCs to PAG(A&E).

4.6.1 Recording of Grantee Institutions as ‘Others’

Grants-in-Aid (GIA) are payments in the nature of assistance, donations or contributions made by one Government to another Government, body, institution or individual. GIA are given by the Union Government to State Governments and/or Panchayati Raj Institutions. State Governments also disburse GIA to agencies, bodies and institutions. The grants so released are utilized for meeting day-to-day operating expenses and for creation of capital assets, besides delivery of services.

Grants-in-Aid during the year 2021-22 (₹61,400 crore) constitutes 45 per cent of the total Revenue expenditure (₹1,36,804 crore) of the State. ‘Investment Support Scheme (Rythu Bandhu)’ a flagship programme to support the farmers, with an expenditure of ₹14,779 crore, constituted 24 per cent of the GIA and 11 per cent of the Revenue expenditure.

In the absence of details of Grantee institutions / bodies, it is not possible for the State Government and/or Principal Accountant General (A&E) to effectively monitor the utilisation of Grants-in-Aid and the number of Utilisation Certificates outstanding against each Institution.

Grants-in-Aid are indicated at Detailed Head as ‘310 – Grants-in-Aid’ and the nature of Grants is depicted at Object Head level²². At a 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, with more than ₹1,000 crore 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

Sl. No.	Sub-Head Description	Object Head Description	Amount (₹ in crore)
1	Investment Support Scheme	Other GIA	14,779
2	Aasara Pensions	Other GIA	5,415
3	Telangana Dalit Bandhu	Other GIA	4,442
4	Assistance to Transmission Corporation of Telangana Ltd. for Agricultural and allied Subsidy	Other GIA	2,965
5	Kalyana Lakshmi	Other GIA	2,070
6	Aasara Pensions to old age persons & widows	Other GIA	1,685
7	Insurance to Farmers	Other GIA	1,465
8	National Health Mission (NHM)	Other GIA	1,275
9	SFC Grants to Gram Panchayats	Other GIA	1,030
10	Incentives for Industrial Promotion	Other GIA	1,014

Source: Finance Accounts

²² 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)

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 Rules²³ 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 orders²⁴.

The year-wise details of drawal of AC bills / submission of DC bills and unadjusted AC bills as on 31 March 2022²⁵ are indicated in **Table 4.6**.

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 2019-20	25,826	2,297	25,579	2,225	247	72
2020-21	1,716	271	1,710	265	6	6
2021-22	2,744	700	2,501	619	243	81
Total	30,286	3,268	29,790	3,109	496	159

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

The year-wise pendency of AC bills is given at **Appendix 4.1**. Audit observed the following:

- The volume and value of unadjusted AC bills have been decreasing²⁶. This indicates an improvement in submission of DC bills.
- Out of the 1,936 AC bills²⁷ valuing ₹239 crore cleared in 2021-22 (up to June 2022), 290 bills valuing ₹51 crore pertained to AC bills drawn during the current year. 1,646 bills adjusted valuing ₹188 crore belong to years prior to that. Further, 345 AC bills valuing ₹29 crore, pertaining to the period prior to formation of Telangana State were cleared from the records of Principal Accountant General (Accounts and Entitlements) as a one-time settlement²⁸.

Out of ₹700 crore drawn against AC bills in 2021-22, AC bills amounting to ₹4 crore (0.63 per cent of the total amount drawn during 2021-22) were drawn in March 2022. Comparatively, ₹49 crore worth AC bills were drawn in March 2021 (18 per cent of the total amount drawn during 2020-21). There has, therefore, been a significant improvement over the previous year.

²³ Article 102 of Telangana Financial code

²⁴ GO No. 507, dt.10-04-2002

²⁵ Drawal of AC Bills taken upto March 2022 and Submission of DC Bills taken upto July 2022

²⁶ As of 31 March 2021:1,931 bills amounting to ₹273 crore; As of 31 March 2020: 3,955 bills amounting to ₹610 crore

²⁷ Only treasury bills taken into consideration

²⁸ Based on the district-wise consolidated certificates as those AC bills pertain to the period prior to formation of Telangana State and also in view of the fact of re-organisation of the districts from 10 to 33

In respect of four²⁹ Heads of Department, AC bills amounting more than ₹10 crore in each case, were pending adjustment. The Department-wise pendency of AC bills is available at **Appendix 4.2**.

4.8 Personal Deposit Accounts

Personal Deposits (PD) Accounts, commonly known as Personal Ledger Accounts or Personal Deposit Accounts are maintained in the treasuries in the nature of banking accounts. As per Article 271 of the Financial Code, the purpose of a PD Account 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.

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, 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 2022 is given in **Table 4.7**:

Table 4.7 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	200 ³⁰	177 ³¹
2	New Personal Deposit Accounts opened during the year	--	--
3	Receipts into the Personal Deposit Accounts during the year	--	612
4	Total	200	789
5	Payments during the year	--	572
6	Amount lapsed during the year	--	85
7	Personal Deposit Accounts closed during the year	54	3
8	Personal Deposit Accounts existing at the end of the year	146	132 ³²

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

²⁹ (i) Office of the Inspector General of Police, Intelligence Department (₹38 crore), (ii) Director of medical education (₹20 crore), (iii) Land Revenue Department (₹13 crore), and (iv) Drawing Officer High Court (₹12 crore)

³⁰ The change in Opening balance for the year 2021-22 is due to addition of two PD accounts (one PD account with Zero balance was reopened which was closed due to oversight during financial year 2020-21 and one PD Account with ₹one lakh was identified and ported from Impact to IFMIS software)

³¹ ₹167 crore as per accounts and difference is due to variation in figures between the Principal Accountant General (A&E) and Director of Treasuries and Accounts and is under reconciliation

³² ₹121 crore as per accounts and due to difference in figures of the Principal Accountant General (A&E) and the Director of Treasuries and Accounts and is under reconciliation

During 2021-22, ₹608 crore was transferred from the Consolidated Fund of the State to these Accounts and ₹4 crore was credited through challans. Of this, ₹187 crore (31 *per cent* of the total credit to Personal Deposit Accounts during the year) was transferred from Consolidated Fund in the month of March 2022. An amount of ₹37 crore was transferred on the last day of the financial year (i.e., 31 March 2022) to PD Accounts. Thus, these Personal Deposit Accounts were utilised to transfer funds at the fag end of the 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 account can be 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.

Out of 146 PD Accounts existing at the end of the year, only 18 accounts had both receipts and payments. There were only receipts in 30 PD accounts and only payments in 10 PD accounts. **There were neither receipts nor payments in 88 PD accounts, indicating their non-operation during 2021-22. These non-operative PD accounts may be reviewed and closed.**

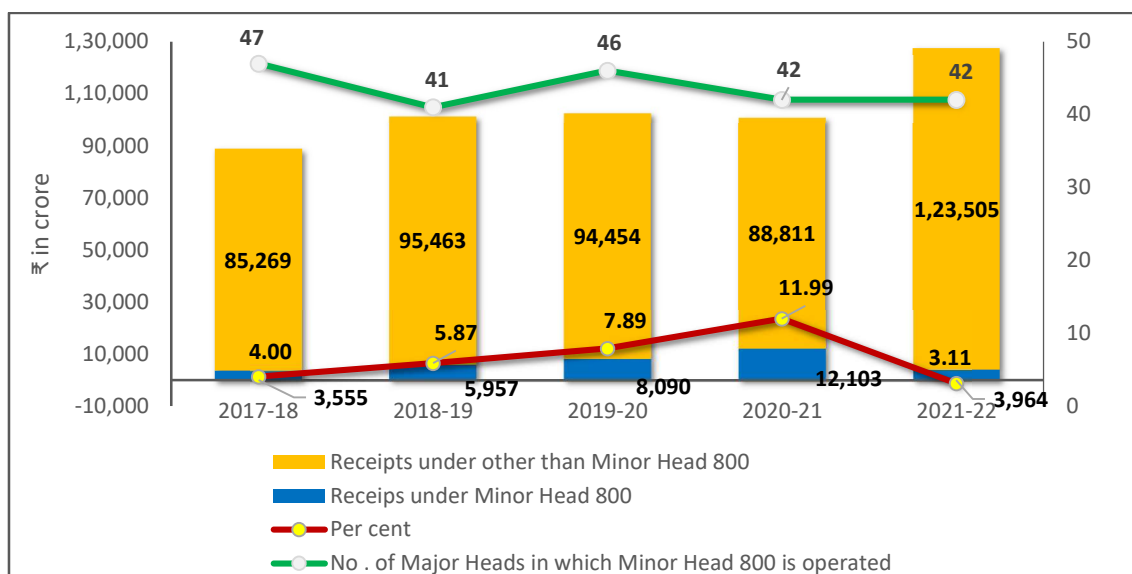
As per Government Orders³³, funds released to Category ‘C’ Deposits Account, during a particular financial year shall lapse by 31 March of the following year. The administrators of Personal Deposit Accounts are therefore, required to revert the unspent balances to Government account. Accordingly, ₹85 crore was lapsed during 2021-22. However, an amount of ₹one crore 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 Financial Code.

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 that 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 2017-18 to 2021-22 are detailed in *Charts* below:

³³ G.O.Ms.NO.43, dated 22 April 2000

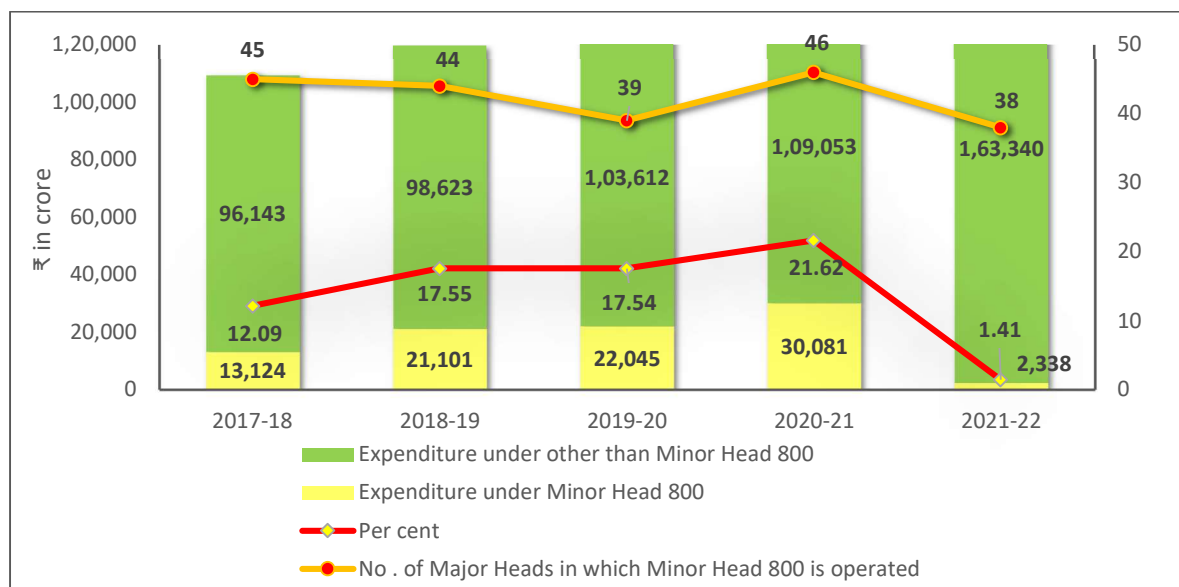
Chart 4.2: Operation of Minor Head 800 – Other Receipts during 2017-18 to 2021-22



Source: Finance Accounts

Note: Receipts include Revenue Receipts only

Chart 4.3: Operation of Minor Head 800 – Other Expenditure during 2017-18 to 2021-22



Source: Finance Accounts

Note: Expenditure includes both Revenue and Capital Expenditure

- The use of omnibus Minor Head-800 in monetary value has decreased considerably over preceding year by 74 per cent in respect of Receipts and 93 per cent of Expenditure in 2021-22. The Government has issued errata (March/ April 2022) for rectification of mistakes in the classification of Minor Head - others initial budget. Few instances are given below:

- Under Power Major Head, expenditure totalling ₹8,061 crore booked under Minor Head 800 – Other Expenditure at Sub Head level (Assistance to Transmission Corporation of Telangana Ltd. for Agriculture and allied Subsidy) was rectified and transferred under Minor Head Assistance to Public sector and other undertakings.
- Under Crop Husbandry Major Head, expenditure totalling ₹11,501 crore booked under Minor Head 800 – Other Expenditure at Sub Head level (Investment Support Scheme) was rectified and transferred under Minor Head Farmers Income Support.
- Under State Goods and Services Tax Major Head, receipts totalling ₹14,602 crore booked under Minor Head 800 – Other Receipts at Sub Head level (Collections) was rectified and transferred under Minor Head Tax (Collections).

The proportion of receipts classified as Minor Head 800 - Other Receipts in total Revenue Receipts has decreased considerably from 12 *per cent* in 2020-21 to 3 *per cent* in 2021-22. Similarly, the proportion of Minor Head 800 - Other Expenditure in total Expenditure has also decreased significantly from 21.62 *per cent* in 2020-21 to 1.41 *per cent* in 2021-22.

- In respect of two receipts heads viz., (i) State Excise - Collection of payments for services rendered – User charges and (ii) Miscellaneous General Services – Other Receipts, the receipts of more than ₹1,000 crore were classified under Minor Head 800 in each case. Also, in case of Miscellaneous General Services mentioned above, receipts of more than ₹1,000 crore were classified under Minor Head 800 – Other Receipts for the last four continuous financial years³⁴.
- In respect of 12 Receipt Major Heads like Civil Supplies, Urban Development, Power, Medium Irrigation, Civil Aviation etc, the entire Receipts totalling ₹130 crore were classified under Minor Head - 800 – Other Receipts (details in **Appendix 4.3**).
- In respect of eight³⁵ Expenditure Major Heads, the expenditure classified under Minor Head 800 – Other Expenditure was more than ₹100 crore in each case. Except in two cases³⁶, under all the other Major Heads, expenditure of more than ₹100 crore was classified under Minor Head 800 – Other Expenditure for the last four financial years.
- During the current year, under Capital Expenditure on Fisheries and on Crop Husbandry Expenditure Heads, the entire expenditure totalling ₹6 crore was classified under Minor Head 800 – Other expenditure. During the preceding year, the entire expenditure classified under Minor Head 800 - Other expenditure was

³⁴ ₹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

³⁵ (i) Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹438 crore), (ii) Capital Outlay on Major Irrigation (₹342 crore), (iii) Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹263 crore), (iv) Major Irrigation (₹178 crore), (v) Special Programmes for Rural Development (₹175 crore), (vi) Capital Outlay on Roads and Bridges (₹142 crore), (vii) Capital Outlay on Other General Economic Services (₹140 crore) and (viii) Pensions and Other Retirement Benefits (₹120 crore)

³⁶ Major Irrigation and Special Programmes for Rural Development Major Heads

₹1,182 crore in five cases. This indicates that there has been an improvement in the quality of expenditure account from the perspective of transparency.

- In respect of 12 receipt Major Heads, receipts amounting to ₹124 crore (details in *Appendix 4.4*), more than 50 per cent of the amount in each case was classified under Minor Head 800 – Other Receipts. Similarly, in respect of four expenditure Major Heads, expenditure amounting to ₹571 crore, (details in *Appendix 4.5*), more than 50 per cent in each case was classified under Minor Head 800 – Other Expenditure.

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.

Box 4.1: Classification of Expenditure as Other Charges under Detailed Head-500

Even at the detailed head level, expenditure was classified as ‘Other Charges’ making it difficult to identify the nature/form/object of the expenditure. During 2021-22, the expenditure under Detailed Head - 500 – Other Charges amounted to ₹4,112 crore (2 per cent of total Expenditure), which includes ₹295 crore under Minor Head – 800 Other Expenditure. Out of this, the major expenditure pertains to Mahatma Gandhi National Rural Employment Guarantee Act (₹2,156 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 4.8: Use of Minor Head 800 with related 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	1.14
2	0202-04-800-01	Receipts of the Department of Archaeology	0202-04-101	Archives and Museums	33.46
Expenditure					
1	2403-00-800-08	Veterinary services and Animal Health	2403-00-101	Veterinary services and Animal Health	2,676.89

Source: Finance Accounts

Classification of receipts and expenditure under omnibus Minor Head - 800, despite availability of specific Minor Heads, shows laxity on the part of the Department to correctly depict Receipts and Expenditure in the Accounts. However, there has been improvement

on expenditure side where classification of expenditure under omnibus Minor Head - 800 has reduced significantly when compared to preceding year, except in one case³⁷.

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 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 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 4.9**:

Table 4.9: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2019-20		2020-21		2021-22	
	Debit (Dr)	Credit (Cr)	Debit (Dr)	Credit (Cr)	Debit (Dr)	Credit (Cr)
Major Head 8658 - Suspense						
101 - PAO suspense	337.96	233.90	547.13	405.16	701.11	608.09
Net Balance	Dr 104.06		Dr 141.97		Dr 94.03	
102 - Suspense Account-Civil	843.88	1,035.05	1,358.34	1,605.59	2,975.95	3,399.80
Net Balance	Cr 191.17		Cr 247.25		Cr 423.85	
109 - Reserve Bank Suspense - Headquarters	5.23	1.32	5.22	(-0.33)	5.23	2.78
Net Balance	Dr 3.91		Dr 5.55		Dr 2.45	
110 - Reserve Bank Suspense - CAO	(-10.87)	12.46	(-10.88)	(-11.28)	(-10.98)	(-11.38)
Net Balance	Cr 23.33		Cr 0.40		Cr 0.40	
112 - Tax Deducted at Source (TDS) Suspense	(-0.01)	314.30	(-0.01)	92.10	(-0.01)	618.68
Net Balance	Cr 314.31		Cr 92.11		Cr 618.69	

³⁷ Veterinary Services and Animal Health

Minor Head	2019-20		2020-21		2021-22	
123 - A.I.S Officers' Group Insurance Scheme	0.17	0.23	0.01	0.09	0.00	0.11
Net Balance	Cr 0.06		Cr 0.08		Cr 0.11	
Major Head 8782- Cash Remittances						
102 - P.W. Remittances	13,236.43	13,236.16	265.69	159.74	154.03	169.07
Net Balance	Dr 203.84		Dr 309.79		Dr 294.75	
103 - Forest Remittances	589.39	623.57	430.35	531.21	392.62	960.33
Net Balance	Cr 387.46		Cr 488.32		Cr 1,056.03	
Major Head 8793- Inter State Suspense Account	73.15	27.54	102.42	29.47	68.45	29.51
Net Balance	Dr 45.61		Dr 72.95		Dr 38.94	

Source: Finance Accounts

Under Public Works Remittances, the balance to be adjusted decreased from ₹310 crore to ₹295 crore. But, under Forest Remittances, the balance to be adjusted increased from ₹488 crore to ₹1,056 crore.

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 due to non-adjustment affects the accurate depiction of Government's Receipts and Expenditure.

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 Orders³⁸ and Financial Rules³⁹ 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.

³⁸ GO Ms. No. 507 of Finance (TFR) Department, dated 10 April 2002

³⁹ Article 9 of Financial Code

Table 4.10: Status of Reconciliation of Receipts and Expenditure figures

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled
Receipts				
2017-18	26	8	0	18
2018-19	39	15	10	14
2019-20	38	9	23	6
2020-21	54	15	6	33
2021-22	59	19	12	28
Expenditure				
2017-18	248	168	61	19
2018-19	281	191	51	39
2019-20	196	63	94	39
2020-21	194	41	70	83
2021-22	198	89	84	25

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 2021-22, receipts of ₹1,20,630 crore (95 per cent out of total Revenue Receipts) and expenditure of ₹1,48,171 crore (89 per cent out of total Expenditure) was reconciled. Overall, an amount of ₹6,839 crore under Receipts and ₹17,507 crore under Expenditure remained unreconciled.

- We observed under six Major Heads, there were un-reconciled receipts of ₹100 crore and above totalling to ₹6500 crore in 2021-22 (**Appendix 4.6**). Out of this, Miscellaneous General Services (Major Head -0075) and Other Social Services (Major Head -0250) constituted un-reconciled receipts of ₹3,907 crore and ₹1,014 crore respectively. Further, two Major Heads⁴⁰ have un-reconciled receipts of above ₹100 crore persistently for the past three years⁴¹.
- Un-reconciled receipts of ₹3,457 crore and ₹3,487 crore to the end of March 2021 and March 2020 under Non-ferrous Mining and Metallurgical Industries (Major Head - 0853) which had been pointed out in previous State Finances Audit Reports of Comptroller and Auditor General of India, have been fully reconciled in 2021-22.
- There were 17 Chief Controlling Officers (CCOs), who did not reconcile expenditure of more than ₹100 crore in each case totalling ₹17,564 crore (**Appendix 4.7**). Out of this, there were six CCOs whose expenditure was ₹12,975 crore. They had unreconciled expenditure of more than ₹1,000 crore in each case.
- There were two CCOs⁴², who have not reconciled expenditure of ₹100 crore and above persistently for the past four years.

⁴⁰ Education, Sports, Art, and Culture (Major Head -0202) and Medical and Public Health (Major Head - 0210)

⁴¹ ₹495 crore and ₹406 crore respectively in 2021-22, and ₹614 crore and ₹246 crore in 2020-21, and ₹138 crore and ₹131 crore in 2019-20

⁴² (i) The Accounts Officer, Office of the Commissioner of Tribal Welfare, D.S.Samkshema Bhavan (₹1,071 crore in 2021-22, ₹952 crore in 2020-21, ₹114 crore in 2019-20 and ₹659 crore in 2018-19) and (ii) The Registrar, Telangana High Court (₹617 crore in 2021-22, ₹485 crore in 2020-21, ₹955 crore in 2019-20 and ₹290 crore in 2018-19)

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.

4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

The Cash balance as on 31 March 2022, as per records of the Principal Accountant General was ₹9.15 crore (debit) and that reported by RBI was ₹12.29 crore (credit). There was a net difference of ₹3.14 crore (credit) as on 31 March 2022 mainly due to delay in reporting by Agency Banks.

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 2021-22 and deficiencies therein are detailed in **Table 4.11**.

Table 4.11: 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)	Though sector-wise/class-wise details were disclosed, detailed information like number of Guarantees for each institution was not furnished. The details of Guarantees mentioned do 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: <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)	Detailed information regarding Grants-in-Aid provided, if any, in kind, was not furnished by the State Government. Certain Grants-in-Aid (₹0.30 crore) were classified under Capital section in contravention of the accounting standards.

Sl. No.	Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
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 were 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 affects fiscal transparency and hinders true and fair representation of finances.

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 the CAG before 30 June every year. Out of 31, only two⁴³ ABs have submitted their accounts up to 2021-22 in time.

Table 4.12: 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	7
2	2-5	8
3	5-10	10
4	10-15	4
Total		29

The remaining 29 ABs have not submitted their Annual Accounts in time. There were delays ranging from one to fifteen years in submission of Accounts (**Table 4.12**).

- Annual Accounts of Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) were in arrears for the years from 2010-11 to 2019-20 till November 2022 and these accounts have since been received only in December 2022. In spite of the delay in submission of accounts, the Board continued to receive loans and Guarantees from the Government. During 2021-22, the State Government has provided ₹1,240 crore as Loan to HMWSSB and the total loans outstanding as of March 2022 stood at ₹8,888 crore. Further, the value of Guarantees given by State Government to HMWSSB outstanding as of March 2022 was ₹2,873 crore.

⁴³ Telangana State Electricity Regulatory Commission and District Legal Services Authority, Nalgonda

- Out of the 29 ABs whose annual accounts are in arrears, 11 ABs were Legal Services Authorities. Out of these, seven⁴⁴ ABs submitted their annual accounts up to 2020-21 (*Appendix 4.8*). Out of the remaining four legal services authorities, Metropolitan Legal Services Authority has not submitted annual account for more than a decade.
- Integrated Tribal Development Agencies (ITDAs) of Eturunagaram, Utnoor and Bhadrachalam have not submitted their Annual Accounts for 15, 13 and 12 years respectively.

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, to ensure that financial statements submitted by them are showing its true and fair financial position. In particular, the Government may ensure that HMWSSB submits its annual accounts on priority as huge amounts are being provided to it as Loans and Guarantees.

4.15 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/ 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 2021-22, no Department has furnished 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 18 Corporations/Bodies (*Appendix 4.9*) have furnished the information. Information from other Corporations/Bodies/Departments was not received (October 2022). 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.

4.16 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

⁴⁴ except (i) Metropolitan Legal Services Authority (12 years); (ii) Telangana State Legal Services Authority, Hyderabad (4 years); (iii) District Legal Services Authority, Adilabad (5 years); and (iv) District Legal Services Authority, Warangal (5 years)

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 209 Explanatory Notes (EN) to be received in respect of 183 Audit paras from 19 Departments pertaining to State Finances Audit Report for the years 2014-15 to 2020-21, 177 ENs were furnished to Audit. 32 ENs in respect of 23 Audit paras pertaining to 12 Departments were yet to be furnished (December 2022). Details are given in **Appendix 4.10**.

4.17 Conclusion

State Government has created a new fund, viz., Haritha Nidhi, outside the Government account which may result in expenditure without Legislative oversight to provide financial sustainability to the ‘Telangana ku Haritha Haram’ programme. Further, funds relating to the Single Nodal Agency Accounts and State Compensatory Afforestation fund were parked in Bank Accounts, outside the Government Account.

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

There has been improvement in the adjustment of Abstract Contingent Bills and the operation of the omnibus minor head (800).

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

4.18 Recommendations

- (i) State Government may consider placing the Haritha Nidhi under the Public Account and ensure that huge funds pertaining to State Compensatory Afforestation Fund are not placed outside the Public Account.*
- (ii) 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.*
- (iii) State Government may review and close Personal Deposits Accounts which are not in use.*

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 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 CAG under the provisions of Section 143 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.

5.3 Number of PSUs and status of accounts

Telangana State was formed on 2 June 2014, following the bifurcation of the 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 in which 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 2022, there were 83 PSUs in Telangana State (including eight Government Companies in power sector and 69 Government Companies, three Government Controlled Other Companies¹ and three Statutory Corporations in non-power sector) under the audit jurisdiction of CAG. Out of the 83 PSUs, 67 were working and 16 were inactive² 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 2021-22, one Government Company³ came under the audit jurisdiction of CAG.

The nature of PSUs and the position of accounts of 83 PSUs as on 30 September 2022 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 2022				No. of PSUs whose accounts are in arrears (No of accounts in arrears)
		Up to 2019-20	Up to 2020-21	Up to 2021-22	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2) - (5)
Government Companies	61	8	10	13*	31	48 (149)
Statutory Corporations	3	0	0	0	0	3 (19)
Government Controlled Other Companies	3	0	1	0	1	3 (12)
Total Working PSUs	67	8	11	13	32	54 (180)
Inactive Government Companies	16	0	0	0	0	16 (389)
Grand Total	83	8	11	13	32	70 (569)

* Includes one PSU (Manjira Lift Irrigation Corporation Limited) whose accounts are not due

Source: Annual accounts submitted by Telangana PSUs

¹ (i) Hyderabad Growth Corridor Limited, (ii) Karimnagar Smart City Corporation Limited and (iii) Greater Warangal Smart City Corporation Limited

² Either defunct or under liquidation. Of these, 15 Companies are under demerger

³ Manjira Lift Irrigation Corporation Limited

Out of 67 working PSUs, 28 PSUs⁴ whose accounts were in arrears for three or more years as on 30 September 2022 or which did not furnish information to Audit are not covered in this Chapter. Based on the accounts and/ or information for the last three years ended March 2022 as furnished by PSUs (both power and non-power sectors), analysis of financial performance of 39 working PSUs has been covered in this chapter.

The position of arrears of accounts of all 83 PSUs, both working and inactive as on 30 September 2022 are given in **Appendix 5.1**. The summary of financial performance of 39 working PSUs is given in **Table 5.2** below.

Table 5.2: Summary of financial performance of 39 PSUs

Number of working PSUs	67
PSUs covered in this Report	39
Paid up Capital (39 PSUs) (₹ in crore)	21,626.62
Long term Loans (39 PSUs) (₹ in crore)	1,04,618.79
Net profit (17 PSUs) (₹ in crore)	1,955.83
Net loss (18 PSUs) (₹ in crore)	(-)4,065.25
Zero Profit/ Loss (4 PSUs)	-
Dividend declared (2 PSUs) (₹ in crore)	106.66
Net worth (39 PSUs) (₹ in crore)	(-)35,008.30

Source: Accounts/ information furnished by PSUs

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 39 working PSUs and GSDP during the three-year period ending March 2022 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	2019-20	2020-21	2021-22
Power	69,742.97	63,217.89	79,334.81
Agriculture	683.69	796.61	704.96
Infrastructure	141.50	167.43	308.58
Manufacturing	282.85	276.75	288.35
Service	22,410.64	28,142.64	38,348.88
Finance	1.21	0.15	0.00
Others	96.32	83.49	93.52
Total Turnover	93,359.18	92,684.96	1,19,079.10
GSDP of Telangana (as on 1 August 2022)	9,50,287	9,61,800	11,48,115
Percentage of Turnover to GSDP of Telangana	9.82	9.64	10.37

Source: Turnover figures are as per accounts/ information furnished by the PSUs and GSDP figures are as per Ministry of Statistics and Program Implementation, GoI

The contribution of PSUs to GSDP of Telangana increased from 9.82 per cent in 2019-20 to 10.37 per cent in 2021-22, as the turnover of these PSUs was 28.48 per cent higher compared to previous year. Among the 39 PSUs, power sector PSUs alone reported

⁴ Including six PSUs in respect of which first accounts were awaited and one PSU whose accounts are not due

66.62 per cent of the turnover contributing 6.91 per cent to GSDP, whereas remaining PSUs in non-power sector contributed only 3.46 per cent to GSDP during the year 2021-22. The Singareni Collieries Company Limited (SCCL) reported 57.82 per cent (₹6,092.10 crore) higher revenue from coal operations compared to previous year. Similarly, Telangana State Civil Supplies Corporation Limited reported ₹9,412.88 crore (36.65 per cent) higher revenue compared to previous year.

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 39 working PSUs as at the end of 31 March 2022 is given in **Table 5.4**:

Table 5.4: Total investment in Telangana PSUs

(₹ in crore)

Sources of Investment	Investments As on 31.03.2021			Investments As on 31.03.2022		
	Equity*	Long Term Loans	Total	Equity*	Long Term Loans	Total
(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)	(7)=(5)+(6)
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	20,268.91	11,720.02	31,988.93	20,808.83	11,262.00	32,070.83
3. Financial Institutions and Others	2.86	84,223.90	84,226.76	2.86	93,356.79	93,359.65
Total	21,144.99	95,943.92	1,17,088.91	21,684.91	1,04,618.79	1,26,303.70
Percentage of State Government Investment to Total Investment	95.86	12.22	27.32	95.96	10.76	25.39

* Equity includes share application money

Source: Accounts/ information furnished by PSUs

The increase in loans during 2021-22 was mainly in Transmission Corporation of Telangana Limited (TSRANSCO) (₹1,088.25 crore), Telangana State Power Generation Corporation Limited (TSGENCO) (₹3,387.33 crore), Telangana State Housing Corporation Limited (₹3,272.40 crore) and Telangana State Water Resource Infrastructure Development Corporation Limited (₹2,879.01 crore).

Sixteen PSUs were inactive for eight to 37 years (**Appendix 5.1**). 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 39 PSUs at the end of financial years 2019-20 to 2021-22 is given in **Table 5.5**:

Table 5.5: Investment of State Government in PSUs

(₹ in crore)

Sector	Year		
	2019-20	2020-21	2021-22
Power	23,643.74	23,706.21	20,722.96
Agriculture	11.91	11.91	10.90
Infrastructure	5,784.53	4,086.92	6,353.95
Manufacturing	69.29	69.31	69.31
Services	3,761.56	4,051.85	4,850.98
Finance	62.58	62.58	62.58
Others	0.15	0.15	0.15
Total	33,333.76	31,988.93	32,070.83

Source: Accounts/ information furnished by PSUs

As on 31 March 2022, investment of the State Government in equity and long-term loans in these 39 PSUs was ₹32,070.83 crore. The outstanding loans of State Government in these 39 PSUs decreased from ₹11,720.02 crore as on 31 March 2021 to ₹11,262.00 crore as on 31 March 2022. During 2021-22, there was equity infusion of ₹536.92 crore in the Telangana State Road Transport Corporation (TSRTC), ₹2.50 crore in Telangana Fiber Grid Corporation Limited and ₹0.50 crore in Telangana Water Resources Development Corporation Limited (**Appendix 5.2**).

Details of significant holding (holding of more than ₹500 crore) of the Government of Telangana during 2021-22 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		
Southern Power Distribution Company of Telangana Limited	Energy Department	12,017.93
Northern Power Distribution Company of Telangana Limited	Energy Department	5,869.20
The Singareni Collieries Company Limited	Energy Department	885.60
Telangana State Power Generation Corporation Limited	Energy Department	869.64
Non-Power Sector PSUs		
Telangana State Road Transport Corporation	Transport Department	1,042.44
Total		20,684.81

Source: Accounts/ information furnished by PSUs

Significant amount (99.40 per cent) of the total equity investment of the State Government was in the above five PSUs.

5.5.2 Restructuring, Disinvestment and Privatisation of PSUs

During the year 2021-22, there was neither disinvestment of any PSU in Telangana State nor was any PSU privatized.

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 2022 are as follows:

Table 5.7: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Power Sector PSUs							
1	Equity capital outgo from budget	2	2,000.00	1	1.95	0	0.00
2	Loans given from budget	0	0.00	0	0.00	0	0.00
3	Grants/ Subsidy given from budget*	3	4,750.17	3	5,661.39	3	1,517.86
4	Total Outgo⁵	3	6,750.17	4	5,663.34	3	1,517.86
5	Loans converted into equity	0	0.00	0	0.00	0	0.00
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0.00
7	Guarantees issued ⁶	0	0.00	2	12,586.93	0	0.00
8	Guarantee Commitment ⁷	5	7,041.17	5	19,393.40	5	19,151.96
Non-Power Sector PSUs							
1	Equity capital outgo from budget	1	2.50	2	0.03	3	539.92
2	Loans given from budget	3	1,769.76	3	2,751.35	4	6,086.93
3	Grants/ Subsidy given from budget*	13	3,069.43	13	3,075.14	12	3,328.76
4	Total Outgo⁵	15	4,841.69	16	5,826.52	14	9,955.61
5	Loans converted into equity	0	0.00	0	0.00	0	0.00
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0.00
7	Guarantees issued ⁶	3	22,700.00	4	18,166.92	3	28,216.01
8	Guarantee Commitment ⁷	7	40,925.62	6	48,692.97	5	76,442.38

⁵ 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

⁶ Government guarantee issued to the PSUs during a particular year

⁷ Closing balance of Government guarantee in respect of PSUs at the end of a particular year

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Total							
1	Equity capital outgo from budget	3	2,002.50	3	1.98	3	539.92
2	Loans given from budget	3	1,769.76	3	2,751.35	4	6,086.93
3	Grants/ Subsidy given from budget*	16	7,819.60	16	8,736.53	15	4,846.62
4	Total Outgo⁵	17	11,591.86	20	11,489.86	17	11,473.47
5	Loans converted into equity	0	0.00	0	0.00	0	0.00
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0.00
7	Guarantees issued ⁶	3	22,700.00	6	30,753.85	3	28,216.01
8	Guarantee Commitment ⁷	12	47,966.79	11	68,086.37	10	95,594.34

* Includes grants/ subsidy towards operational and management expenses not ascertainable separately
Source: Accounts/ information furnished by PSUs

During the year 2021-22, total outgo from the State Government was ₹11,473.47 crore (**Appendix 5.2**). The outgo in the form of subsidy/ grants to non-power sector PSUs was higher (₹3,328.76 crore) in 2021-22 compared to previous year (₹3,075.14 crore). During the year 2021-22, an amount of ₹1,759.91 crore was released to Telangana State Civil Supplies Corporation towards rice subsidy. Similarly, ₹1,417.48 crore was released to Southern Power Distribution Company of Telangana Limited towards Power/ Tariff subsidy, ₹790.00 crore was released to TSRTC towards reimbursement of bus pass concessions and ₹650 crore was released to Telangana State Housing Corporation Limited for construction of 2 BHK houses. However, despite receipt of subsidies/ grants, the financial position of these three companies remains highly precarious with huge accumulated losses.

Further, Government guarantees issued (April, December 2021) during the year includes ₹25,800.00 crore provided to Telangana State Civil Supplies Corporation Limited towards procurement of paddy.

Out of ₹11,473.47 crore budgetary support provided by State Government during the year 2021-22, ₹6,301.45 crore was provided to seven 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 2021-22, out of the 39 PSUs, 17 PSUs earned profits, 18 PSUs earned losses and four PSUs⁸ had reported nil profit or loss.

5.6.1 Profits earned by PSUs

Out of 39 PSUs, 17 PSUs earned profit of ₹1,955.83 crore during 2021-22 as compared to 17 PSUs which reported profit of ₹942.49 crore during 2020-21. Of these, 14 PSUs reported profit due to operational income while three PSUs⁹ reported profit due to non-operating income. Two PSUs¹⁰ reported turnaround from previous year. Further, two PSUs¹¹ suffered loss after earning profit in the previous year.

The Return on Equity (ROE) of the profit-making PSUs was 12.84 *per cent* in 2021-22 as compared to 7.31 *per cent* in 2020-21. ROE for the PSUs as a whole (including 18 loss making and four zero profit companies) could not be worked out as both the overall Net Profits and Net Worth as on 31 March 2022 were negative.

Net profit of ₹1,707.77 crore constituting 87.32 *per cent* of total profits (₹1,955.83 crore) earned by 17 PSUs was contributed by three PSUs in the power sector. During the year 2021-22, the power sector as a whole earned an overall profit of ₹878.80 crore.

Table 5.8: List of top profit-making PSUs in 2021-22

(₹ in crore)

Sl. No.	Name of PSU	Net Profit after Tax
Power Sector PSUs		
1	The Singareni Collieries Company Limited	1,227.04
2	Telangana State Power Generation Corporation Limited	394.46
3	Transmission Corporation of Telangana Limited	86.27
Non-Power Sector PSUs		
4	Telangana State Warehousing Corporation	109.21
Total		1,816.98

Source: Accounts/ information furnished by PSUs

The above four PSUs contributed 92.90 *per cent* of the total profit earned by 17 PSUs during 2021-22. Out of these, PSUs at Sl. No.s (1) and (3) 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 17 profit making PSUs, only two PSU namely, the SCCL and Telangana State Warehousing Corporation paid dividend of ₹188.32 crore and ₹106.66 crore during the financial years 2020-21 and 2021-22 respectively. The

⁸ (i) Telangana Power Finance Corporation Limited, (ii) Musi Riverfront Development Corporation Limited, (iii) Photonics Valley Corporation and (iv) Telangana State Aviation Corporation Limited

⁹ (i) Telangana Fiber Grid Corporation Limited, (ii) The Nizam Sugars Limited and (iii) Telangana State Most Backward Classes Development Corporation

¹⁰ (i) T-Works Foundation and (ii) Telangana State Police Housing Corporation Limited

¹¹ (i) Telangana State Minorities Finance Corporation and (ii) Telangana State Film Development Corporation Limited

dividend declared as a percentage of Net Profit of these two PSUs decreased from 50.75 per cent in 2020-21 to 7.98 per cent in 2021-22. The dividend declared in 2021-22 was also lower by ₹81.66 crore as compared to the previous year.

The return in the form of dividend on total equity of 39 PSUs was 0.49 per cent in 2021-22 as compared to 0.89 per cent during 2020-21.

5.7 Losses incurred by PSUs

5.7.1 Losses incurred

Out of 39 PSUs, 18 PSUs incurred losses during the year 2021-22. The losses incurred by these 18 PSUs drastically decreased from ₹9,921.38 crore during 2020-21 to ₹4,065.25 crore in 2021-22 mainly due to reduction of losses of DISCOMs because of accountal of grants sanctioned by State Government for taking over the losses under the Ujwal DISCOM Assurance Yojna (UDAY). Details of losses incurred by PSUs during last three financial years are 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				
2019-20	2	(-)6,056.55	(-)42,292.99	(-)24,605.86
2020-21	2	(-)6,686.33	(-)48,982.22	(-)31,095.09
2021-22	2	(-)830.83	(-)49,815.88	(-)31,928.75
Non-Power Sector PSUs				
2019-20	15	(-)1,780.17	(-)12,843.32	(-)12,291.07
2020-21	15	(-)3,235.05	(-)18,333.31	(-)17,815.24
2021-22	16	(-)3,234.42	(-)19,375.26	(-)18,314.00
Total				
2019-20	17	(-)7,836.72	(-)55,136.31	(-)36,896.93
2020-21	17	(-)9,921.38	(-)67,315.53	(-)48,910.33
2021-22	18	(-)4,065.25	(-)69,191.14	(-)50,242.75

Source: Accounts/ information furnished by PSUs

Out of total losses of ₹4,065.25 crore of 18 PSUs during 2021-22, the power sector's share was ₹830.83 crore and non-power sector's share was ₹3,234.42 crore.

The total accumulated losses of 20 PSUs in 2021-22 was ₹69,452.20 crore and after setting off accumulated profit of 15 PSUs (₹12,838.43 crore), the net accumulated losses were at ₹(-)56,613.77 crore.

PSUs listed in **Table 5.10** below incurred loss of more than ₹50.00 crore during the year 2021-22.

Table 5.10: List of PSUs which incurred loss of more than ₹50 crore in 2021-22

(₹ in crore)

Sl. No.	Name of PSU	Net Loss	Net Worth
Power Sector PSUs			
1	Southern Power Distribution Company of Telangana Limited	(-)626.80	(-)22,164.21
2	Northern Power Distribution Company of Telangana Limited	(-)204.03	(-)9,764.54
Non-Power Sector PSUs			
3	Telangana State Road Transport Corporation	(-)1,986.59	(-)9,240.98
4	Telangana State Housing Corporation Limited	(-)817.16	(-)5,722.89
5	Telangana Rajiv Swagruha Corporation Limited	(-)324.23	(-)865.57
6	Hyderabad Metro Rail Limited	(-)97.84	(-)2,472.67

Source: Accounts/ information furnished by PSUs

Out of total losses of ₹4,065.25 crore incurred by 18 PSUs during 2021-22, losses of ₹4,056.65 crore constituting 99.79 per cent of total losses incurred was contributed by above six PSUs.

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 2022, the paid up capital and accumulated losses of these 39 PSUs was ₹21,626.62 crore and ₹56,613.77 crore respectively, resulting in a negative net worth of ₹35,008.30 crore after adjustment of Deferred Revenue Expenditure of ₹21.15 crore. This indicates that the investment made by the State Government in these PSUs had been completely wiped off. Out of 39 PSUs, 20 PSUs reported accumulated loss of ₹69,452.20 crore, 15 PSUs reported accumulated profit of ₹12,838.43 crore and four PSUs had reported nil accumulated losses. Out of the total accumulated loss of ₹69,452.20, the accumulated losses of six PSUs (*refer Table 5.10*) accounted for 99.59 per cent.

Out of 39 PSUs, net worth of 17 PSUs had been completely eroded due to accumulated losses leading to negative net worth. The negative net worth of these 17 PSUs was ₹50,476.07 crore due to accumulated losses of ₹69,447.57 crore against their Paid-up Capital of ₹18,991.57 crore as on 31 March 2022 (*Appendix 5.3*). Investment of the State Government in these 17 PSUs as on 31 March 2022 was ₹29,879.17 crore comprising of equity of ₹18,965.21 crore and loans of ₹10,913.96 crore.

5.8 Debt Servicing

5.8.1 Interest Coverage Ratio

The Interest Coverage Ratio (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 which paid interest from 2019-20 to 2021-22 on loans from all sources are given in the **Table 5.11**:

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						
2019-20	3,421.08	6,572.75	0.52:1	6	3	3
2020-21	1,537.87	7,386.00	0.21:1	6	4	2
2021-22	10,623.88	8,330.72	1.28:1	6	4	2
Non-Power Sector PSUs						
2019-20	51.70	1,688.53	0.03:1	9	4	5
2020-21	(-)407.14	2,639.61	(-)0.15:1	9	3	6
2021-22	(-)373.46	2,416.67	(-)0.15:1	6	2	4
Total						
2019-20	3,472.78	8,261.28	0.42:1	15	7	8
2020-21	1,130.73	10,025.61	0.11:1	15	7	8
2021-22	10,250.42	10,747.39	0.95:1	12	6	6

Source: Accounts/ information furnished by PSUs

We observed that the overall ICR of PSUs ranged between 0.11 and 0.95 during 2019-20 to 2021-22. The ICR of non-power sector PSUs was negative in two years during 2020-21 and 2021-22. The power sector PSUs fared better. The ICR of power sector PSUs increased during the year 2021-22 in comparison to the previous year mainly due to increase in EBIT of the SCCL and DISCOMs on account of increased revenue from operations and taking over of losses under the UDAY scheme by the State Government. However, the overall ICR remained below 'one' during 2019-20 and 2020-21. 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 six PSUs having interest payment obligations, four PSUs accounted for interest on State Government loans amounting to ₹783.64 crore out of which ₹741.47 crore was paid to the Government in 2021-22. As on 31 March 2022, interest amounting to ₹403.47 crore was outstanding on long term loans provided by the State Government. Age-wise analysis of interest outstanding on State Government loans as on 31 March 2022 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 2022	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 to 3 years	Interest on State Government loans outstanding for more than 3 years
Power Sector PSUs					
1	Northern Power Distribution Company of Telangana Limited	0.78	0.06	0.16	0.56
2	Southern Power Distribution Company of Telangana Limited	10.56	2.50	5.49	2.57
3	Transmission Corporation of Telangana Limited	232.90	58.17	116.34	58.39
Non-Power Sector PSUs					
4	The Nizam Sugars Limited	159.23	0	9.30	149.93
Total		403.47	60.73	131.29	211.45

Source: Accounts/ information furnished by PSUs

It is evident from the above that 52.41 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.

5.8.3 Dues of DISCOMs to Power Generation Companies

As on 31 March 2022, there were two DISCOMs (Northern Power Distribution Company of Telangana Limited - TSNPDCL and Southern Power Distribution Company of Telangana Limited - TSSPDCL) in Telangana. The outstanding dues payable by these DISCOMs to various Central, State and Other power generation companies increased from ₹20,103.24 crore during 2020-21 to ₹27,873.42 crore as on 31 March 2022. The outstanding power purchase dues of DISCOMs reduced by 11.06 per cent during 2020-21 as compared to 2019-20 but increased by 38.65 per cent during 2021-22 as compared to 2020-21.

Power purchase cost constitutes more than 70 per cent of DISCOM's expenditure. DISCOMs together reported a net loss of ₹830.83 crore during 2021-22. Under the UDAY scheme, the State Government is required to provide operational funding requirement¹² support to the DISCOMs, till the DISCOMs achieve financial turnaround. Therefore, the dues of DISCOMs to various power generating companies would adversely impact the State Finances. Further, the outstanding dues of DISCOMs to various power generation companies would increase, if the Late Payment Surcharge on outstanding dues were considered as per the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 notified on 3 June 2022 by the Union Ministry of Power.

¹² Book profit/ loss adjusted with depreciation and changes in current assets (excluding cash support) and current liabilities (including miscellaneous expenditure)

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 (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 39 PSUs during the period from 2019-20 to 2021-22 are given below in *Table 5.13*:

Table 5.13: Share holders' fund and RoE of PSUs

(₹ in crore)

Year	Net Profit/ Loss	Share holders' Fund	RoE (in per cent)
Power Sector PSUs			
2019-20	(-)4,681.39	(-)13,183.85	-
2020-21	(-)5,970.01	(-)18,989.39	-
2021-22	878.80	(-)17,672.44	-
Non-Power Sector PSUs			
2019-20	(-)1,594.32	(-)11,466.88	-
2020-21	(-)3,008.88	(-)17,031.59	-
2021-22	(-)2,988.22	(-)17,335.86	-
Total			
2019-20	(-)6,275.71	(-) 24,650.73	-
2020-21	(-) 8,978.89	(-)36,020.98	-
2021-22	(-)2,109.42	(-)35,008.30	-

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 2019-20 to 2021-22 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 Northern Power Distribution Company of Telangana Limited, Southern Power Distribution Company of Telangana Limited, TSRTC, Telangana State Housing Corporation Limited and Hyderabad Metro Rail 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 employed¹³. 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 39 PSUs during 2019-20 to 2021-22 is given in *Table 5.14*:

Table 5.14: Return on Capital Employed of PSUs

(₹ in crore)

Year	EBIT	Capital Employed	RoCE (in per cent)
(1)	(2)	(3)	(4) Col.2/ Col 3 X 100
Power Sector PSUs			
2019-20	3,421.08	36,964.77	9.25
2020-21	1,537.87	46,229.79	3.33
2021-22	10,623.88	48,803.54	21.77
Non-Power Sector PSUs			
2019-20	139.70	11,014.60	1.27
2020-21	(-)321.42	13,693.15	(-)2.35
2021-22	(-)534.98	20,806.95	(-)2.57
Total			
2019-20	3,560.78	47,979.37	7.42
2020-21	1,216.45	59,922.94	2.03
2021-22	10,088.91	69,610.49	14.49

Source: Accounts/ information furnished by PSUs

The RoCE of the PSUs was decreased from 7.42 per cent in 2019-20 to 2.03 per cent in 2020-21 whereas the RoCE increased to 14.49 per cent during the year 2021-22. The increase in RoCE during 2021-22 by eight times as compared to 2020-21 was on account of increase in the EBIT of Power Sector PSUs which was mainly due to the State Government taking over DISCOM's losses of ₹8,925.00 crore under UDAY scheme. The decrease in EBIT of Power Sector PSUs in 2020-21 was due to decrease in earnings of the 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 17 out of 39 PSUs (all the seven power sector PSUs and 10 non-power sector PSUs¹⁴) which generate their own revenue and run-on commercial lines was positive in all the three years (11.71 per cent for 2019-20, 3.16 per cent for 2020-21

¹³ Capital employed = Paid-up share capital + free reserves and surplus + long-term loans – accumulated losses – deferred revenue expenditure

¹⁴ (i) Telangana State Forest Development Corporation Limited, (ii) Telangana State Seeds Development Corporation Limited, (iii) Damodhara Minerals Private Limited, (iv) The Nizam Sugars Limited, (v) Telangana State Road Transport Corporation, (vi) Telangana State Technology Services Limited, (vii) Telangana State Civil Supplies Corporation Limited, (viii) Telangana State Horticulture Development Corporation Limited, (ix) Telangana State Mineral Development Corporation Limited and (x) Telangana State Warehousing Corporation

and 24.89 per cent for 2021-22). The RoCE of the remaining 22 non-power sector PSUs was negative ranging from (-)0.88 per cent (2020-21) to (-)5.78 per cent (2019-20) 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 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 2022, the investment in 39 working PSUs of Government of Telangana was ₹84,038.89 crore, the investment of Central Government amounted to ₹20,862.43 crore, while the investment of Others was ₹982.95 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 eight 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 2022, 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 equity (initial equity net of Reorganization/ 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 2022 have been reckoned as investment; and
- 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 39 working PSUs at the end of the year 2021-22 was ₹1,05,884.27 crore consisting of equity of ₹27,227.28 crore, interest free loans of ₹3,971.50 crore and subsidies/ grants of ₹74,685.49 crore. The PV of investments of the State, Central Governments and Others up to 31 March 2022 worked out to ₹1,43,344.19 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 eight Financial Years from 2014-15 to 2020-22 as detailed in *Appendix 5.7*.

5.10 Sales and Marketing

5.10.1 Sales and Marketing

During the year 2021-22, the total turnover of 39 PSUs stood at ₹1,19,079.10 crore as compared to ₹92,684.96 crore during 2020-21. Out of these 39 PSUs, nine PSUs¹⁵ rendered goods/ services worth ₹41,507.38 crore (53.98 per cent) to the Government Sector out of their total sales of ₹76,900.35 crore.

None of the PSUs exported goods/ services during 2021-22.

¹⁵ (i) The Singareni Collieries Company Limited, (ii) Telangana State Power Generation Corporation Limited, (iii) Transmission Corporation of Telangana Limited, (iv) Southern Power Distribution Company of Telangana Limited, (v) Northern Power Distribution Company of Telangana Limited, (vi) Telangana State Renewable Energy Development Corporation Limited, (vii) Telangana State Seeds Development Corporation Limited, (viii) Telangana State Technology Services Limited, (ix) Telangana State Film Development Corporation Limited

5.10.2 Research and Development (R&D)

Research and Development (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; and
- Tax Benefits for undertaking R&D activities are available under Income Tax Act, 1961.

During 2021-22, only one PSU (SCCL) undertook R&D related activities. The Company spent ₹4.30 crore during 2021-22 on R&D as against ₹3.60 crore during 2020-21.

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/ Government controlled other Company under Sections 139(5) of the Companies Act, 2013. The CAG has a right to conduct supplementary audit and issue 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 years 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 the 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 must 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.

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 2022, there were 83 PSUs under the purview of CAG's audit. Out of 83 PSUs, 16 PSUs are inactive. Out of the remaining 67 working PSUs only 12 Companies submitted their accounts for the financial year 2021-22 by 30 September 2022. Accounts of 52 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 2022		80	3	83
Number of PSUs from which accounts are not due		1*	0	1
Number of PSUs which presented the accounts for CAG's audit by 30 September 2022		12	0	12
Number of Companies whose accounts are in arrears		67	3	70
Break-up of Arrears	(i) Under Liquidation	8	0	8
	(ii) Defunct	8	0	8
	(iii) Others	51	3	54
Age-wise analysis of arrears against 'Others' category	One year (2021-22)	11	0	11
	Two years (2019-20 and 2020-21)	8	0	8
	Three years and more	32	3	35

* *Manjira Lift Irrigation Corporation Limited was incorporated on 20 January 2022*

Source: Accounts/ information furnished by PSUs

Out of the 67 Government Companies, accounts of 32 Companies were due for three or more years. Out of these 32 Companies, nine Companies have not even submitted their first accounts as on 30 September 2022 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. Only Telangana State Warehousing Corporation has submitted its accounts for the year 2015-16. Remaining two Statutory Corporations have not submitted their accounts since inception.

As a result of delay/ non-submission of accounts, the legislative control over the money invested in Government Companies could be jeopardized. 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.

Non-submission of annual accounts by these PSUs is amounting to violation of provisions of the Companies Act.

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 there on 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 up on 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 October 2021 to 30 September 2022, 46 Government Companies submitted 64 accounts for the period spanning from 2014-15 to 2021-22 for audit by CAG. Of these, the CAG reviewed 46 accounts of 34 PSUs while Non-Review Certificate was issued in respect of 18 accounts of 18 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 eight Government Companies revised their 10 reports (January 2022 to August 2022) 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

Out of the 46 accounts reviewed in audit, CAG's comments were issued on nine accounts of nine PSUs while finalisation of CAG's comments were pending in respect of 37 accounts of 28 PSUs. Further, CAG's comments on 20 accounts submitted by 15 PSUs during the previous year were finalised during the current year. Total 29 accounts¹⁶ on which CAG's comments were issued (October 2021 to September 2022) included 14 cases of nil comments and in the remaining 15 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 ₹284.97 crore and on assets/ liabilities was ₹4,927.15 crore are detailed below:

¹⁶ 09 of current Year and 20 of previous Year

(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 (2021-22)	Other Expenses (Note 28): ₹244.94 crore The Company did not provide for ₹50.37 crore towards recovery of doubtful dues in respect of M/s Sirpur Paper Mills Limited which resulted in understatement of provision for doubtful debts and Loss for the year by ₹50.37 crore.
Power Sector PSUs		
2	Southern Power Distribution Company of Telangana Limited (2020-21)	Finance Costs (Note 26): ₹1,905.46 crore The Company did not provide for ₹142.63 crore being guarantee commission payable to the GoT for the year 2020-21 towards government guarantee in respect of loans availed by the Company which resulted in understatement of Finance Cost, Current Liabilities and Loss for the year by ₹142.63 crore.
3	Transmission Corporation of Telangana Limited (2020-21)	Employee Benefit Expenses (Note 23): ₹639.25 crore The Company did not provide for retirement gratuity liability of ₹91.97 crore in respect of employees appointed before 01.02.1999 and the artisans which resulted in understatement of Employee Benefits Expenses (Note 23) and Gratuity provisions (Note 17 A) by ₹91.97 crore with corresponding overstatement of Profit for the year by the same amount.

(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 (2020-21)	Other Current Assets (Note 22): ₹4,424.51 crore The Company did not recognise an amount of ₹1,479.13 crore receivable from the GoT for the years 2018-19 to 2020-21 towards meeting operational losses under UDAY scheme which resulted in understatement of Other Current Assets - Receivables from the State Government (Note 22) by ₹1,479.13 crore, Reserves and Surplus (Note 3) by ₹920.98 crore and Loss for the year by ₹558.15 crore.
Non-Power Sector PSUs		
2	Kaleshwaram Irrigation Project Corporation Limited (2019-20)	Other Current Liabilities (Note 6): ₹303.36 crore The Company accounted ₹21.00 crore recovered from contractors towards excess GST as Other Current Liabilities instead of adjusting against the Capital Work in Progress which resulted in overstatement of Other Current Liabilities and Capital Work in Progress by ₹21.00 crore.
3	Fab City SPV (India) Private Limited (2017-18)	Non-Current Assets - Capital Work in Progress (Note 3): ₹35.39 crore The Company did not capitalise ₹35.39 crore towards the 220 KV Sub-Station and Water Supply Scheme works which were completed in December 2014 and December 2016 respectively and were put to use. This had resulted in overstatement of Capital Work in Progress by ₹35.39 crore, understatement of Fixed Assets by ₹30.64 crore, Other Equity by ₹2.86 crore, Depreciation Charge for the year by ₹1.89 crore and consequent understatement of Loss for the year by ₹1.89 crore.

4	Hyderabad Growth Corridor Limited (2017-18)	<p>Long-Term Borrowings (Note 5): ₹5,845.43 crore</p> <p>The Company accounted the funds of ₹3,391.63 crore provided by the Hyderabad Metropolitan Development Authority (HMDA) to meet the expenditure on implementation of HMDA's Hyderabad Growth Corridor Project (HGCP) as Long-Term Borrowings instead of accounting them as Advances Received from HMDA. This had resulted in overstatement of Long-Term Borrowings and understatement of Advances by ₹3,391.63 crore.</p>
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(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 (2021-22)	The Company did not disclose the fact of adjustment of interest expenditure of ₹162.88 crore without a formal arrangement for sharing interest expenditure with the TSSPDCL.
2	Southern Power Distribution Company of Telangana Limited (2021-22)	The Company did not disclose that it had filed petition before APTEL challenging the claims of NTPC for ₹59.01 crore towards GST incurred by Solar Power Developers for purchasing the solar panels.
3	Southern Power Distribution Company of Telangana Limited (2020-21)	The Company did not disclose the facts with regard to deferment of claims of ₹121.92 crore raised by STPP until approval is obtained from TSERC.
4	Telangana State Power Generation Corporation Limited (2020-21)	The Company adopted maximum gratuity limit of ₹20 lakh in actuarial valuation for providing gratuity liability from the financial year 2017-18 onwards. Since, this limit was different from the orders of GoT (₹16 lakh), the Company should have disclosed the significant accounting assumptions adopted for calculating higher retirement gratuity liability, applicable gratuity rules and the impact of such deviation.
Non-Power Sector PSUs		
5	Kaleshwaram Irrigation Project Corporation Limited (2019-20)	The Company did not disclose the fact that its Capital Work in Progress included an amount of ₹18,303.11 crore incurred by the GoT for the project.
6	Telangana Most Backward Classes Development Corporation (2018-19)	The Company did not disclose the fact of revision of its financial statements for the year 2018-19 based on the audit observations raised during CAG's supplementary audit and its consequent financial effect.
7	Maheswaram Science Park Limited (2017-18)	The Company did not disclose the fact of accountal in the books of its Holding Company namely, Telangana State Industrial Infrastructure Company Limited of the grant spent towards development of infrastructure within its area, on the ground that capital expenditure could not be transferred to the Company's account as the infrastructure works were under progress.

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 seven companies as detailed in **Appendix 5.10** did not comply with mandatory Accounting Standards/ Ind AS.

During the supplementary audit carried out between October 2021 and September 2022, it was observed that four companies had not complied with AS/ Ind AS, which was not reported by their Statutory Auditors as given below:

Sl. No.	Accounting Standard/ Ind AS	Name of the Company (Year of Accounts)	Deviation
Power Sector PSUs			
1	AS 12: Accounting for Government Grants	Northern Power Distribution Company of Telangana Limited (2020-21)	The Company did not account for Government grants sanctioned for meeting its operational losses.
2	AS 15: Employee Benefits	Southern Power Distribution Company of Telangana Limited (2020-21)	The Company neither carried out the actuarial valuation nor accounted for liability for medical benefits extended to its employees and pensioners.
3	Ind AS 15: Employee Benefits	Transmission Corporation of Telangana (2020-21)	The Company neither carried out the actuarial valuation nor accounted for liability for medical benefits extended to its employees and pensioners.
Non-Power Sector PSUs			
4	Ind AS 16: Property, Plant and Equipment	Fab City SPV (India) Private Limited (2017-18)	The Company did not disclose the depreciation methods used, depreciation rates and useful lives of the fixed assets adopted for calculating depreciation.

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 14 Management Letters to 13 PSUs as detailed in *Appendix 5.11*.

5.17 Conclusion

As on 31 March 2022, 83 State Public Sector Enterprises in Telangana were under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). Of the 83 SPSEs, eight SPSEs relate to power sector and 75 SPSEs (including one Government Company newly incorporated during the year 2021-22) relate to non-power sectors. Out of these SPSEs, 16 companies were inactive and were either defunct or under liquidation.

As per their latest accounts and/ or information furnished by 39 out of the 67 working SPSEs for 2021-22, the 39 SPSEs registered an annual turnover of ₹1,19,079.10 crore, which was equal to 10.37 per cent of the GSDP of Telangana State during 2021-22. As on 31 March 2022, the investment of the Central and State Governments and Others in equity and long-term loans in these 39 SPSEs was ₹1,26,303.70 crore. During the year 2021-22, the State Government provided budgetary support of ₹11,473.47 crore to 17 SPSEs. Out of the 39 working SPSEs, 17 SPSEs earned profits (₹1,955.83 crore), 18 SPSEs incurred losses (₹4,065.25 crore) and four SPSEs had reported nil profit or loss.

As on 31 March 2022, the accumulated losses of 39 SPSEs were at ₹56,613.77 crore. As a result of losses, the combined net worth of 39 SPSEs was completely eroded and stood at ₹(-)35,008.30 crore as on 31 March 2022.

As on 31 March 2022, the investment in 39 working PSUs in the form of equity, interest free loans, subsidies and grants of Central and State Governments and Others was ₹1,05,884.27 crore. The PV of this investment worked out to ₹1,43,344.19 crore.

Out of 67 working SPSEs, Financial Statements for the year 2021-22 were received only from 12 SPSEs in time. Fifty one SPSEs have defaulted in timely submission of accounts. Of these, accounts of 32 SPSEs were due for more than three years while 11 SPSEs have not submitted their first accounts since their incorporation.

As a result of CAG audit, Statutory Auditors of eight SPSEs revised their Audit Report. In addition, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹284.97 crore and assets/ liabilities by ₹4,927.15 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 13 SPSEs through 'Management Letter' for taking corrective action.

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 the Administrative Departments to (a) set targets for individual PSUs to furnish the accounts in time, (b) strictly monitor the clearance of arrears; and (c) take steps to expeditiously liquidate the arrears in finalisation of accounts.*
- (iii) *Government may review the inactive Government Companies and take appropriate decision on their revival/ winding up.*

Hyderabad
The



(SUDHA RAJAN)
Accountant General (Audit), Telangana

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. 2022	3.79 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=64.84 per cent)	58 per cent
	b. Literacy (as per Socio Economic Outlook 2021) (All India Average (as per 2011 Census) =73.00 per cent)	72.80 per cent
6	Infant mortality (per 1000 live births) (All India Average = 28 per 1,000 live births)	21
7	Life Expectancy at birth (All India Average = 69.70 years)	69.80
8	Gross State Domestic Product (GSDP) 2021-22 at current prices	₹11,48,115 crore
9	Gross State Domestic Product (GSDP) 2021-22 at constant prices	₹6,76,304 crore
10	Per capita GSDP Compounded Annual Growth Rate (CAGR) (2012-13 to 2021-22)	Telangana 11.78
		General States 9.34
11	GSDP CAGR (2012-13 to 2021-22)	Telangana 12.38
		General States 10.62
12	Population Growth (2012 to 2022)	Telangana 7.4
		General States 11.17

B. Financial Data					
Particulars					
Compounded Annual Growth Rate		General States (2019-20 to 2020-21)	Telangana (2019-20 to 2020-21)	General States (2020-21 to 2021-22)	Telangana (2020-21 to 2021-22)
		(in per cent)			
a.	Revenue Receipts	(-)4.12	(-)1.59	25.60	26.31
b.	Tax Revenue	(-)4.06	(-)1.40	25.62	36.94
c.	Non -Tax Revenue	(-)34.63	(-)17.11	45.46	45.17
d.	State's share of union taxes and duties	(-)8.21	(-)20.62	48.60	47.50
e.	Grants-in-Aid from Government of India	18.80	33.38	(-)5.37	(-)44.29
f.	Total Receipts	7.00	22.13	15.57	13.33
g.	Revenue Expenditure	6.12	13.25	12.25	11.70
h.	Capital Expenditure	(-)2.09	(-)5.56	25.59	82.93
i.	Disbursements of Loans and Advances	2.31	24.92	1.22	(-)22.07
j.	Total Expenditure	4.99	11.64	13.96	16.82
k.	Revenue Expenditure on Education	(-)0.90	(-)0.45	11.47	17.54
l.	Revenue Expenditure on Health	15.29	(-)3.43	19.71	11.75
m.	Revenue Expenditure on Salary and Wages	2.83	1.90	11.23	22.73
n.	Revenue Expenditure on Pension	6.48	14.91	11.88	3.15
o.	Revenue Expenditure on Subsidies	10.77	39.73	18.29	6.82

Appendix 1.2

Time Series Data on State Government Finances

(Refer paragraph 1.5.1; page 8)

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22	
Part A Receipts						
1	Revenue Receipts	88,824(99.84)	1,01,420(99.93)	1,02,544(99.94)	1,00,914(99.94)	1,27,469(99.96)
	(i) Tax Revenue	56,520(63.63)	64,674(63.77)	67,597(65.92)	66,650(66.05)	91,271(71.60)
	State Goods and Services Tax	13,073(23.13)	23,840(36.86)	23,517(34.79)	22,190(33.29)	28,917(31.68)
	Taxes on Sales, Trade, etc.	25,107(44.42)	20,291(31.37)	20,674(30.58)	20,904(31.36)	26,974(29.55)
	State Excise	9,421(16.67)	10,638(16.45)	11,992(17.74)	14,370(21.56)	17,482(19.15)
	Taxes on Vehicles	3,590(6.35)	3,762(5.82)	3,935(5.82)	3,338(5.01)	4,381(4.80)
	Stamps and Registration fees	4,202(7.43)	5,344(8.26)	6,671(9.87)	5,243(7.87)	12,373(13.56)
	Land Revenue	4(0.01)	0.42(0)	1(0)	1(0)	0.26(0)
	Other Taxes	1,123(1.99)	799(1.24)	807(1.19)	604(0.91)	1,143.73(1.25)
	(ii) Non-Tax Revenue	7,825(8.81)	10,007(9.87)	7,360(7.18)	6,101(6.05)	8,858(6.95)
	(iii) State's share in Union taxes and duties	16,420(18.49)	18,561(18.30)	15,988(15.59)	12,692(12.58)	18,721(14.69)
	(iv) Grants-in-Aid from GOI	8,059(9.07)	8,178(8.06)	11,599(11.31)	15,471(15.33)	8,619(6.76)
2	Miscellaneous Capital Receipts	0(0)	0(0)	0(0)	0(0)	0(0)
3	Recovery of Loans and Advances	138(0.16)	66(0.07)	62(0.06)	58(0.06)	48(0.04)
4	Total revenue and Non-debt capital receipts (1+2+3)	88,962(64.41)	1,01,486(66.57)	1,02,606(57.60)	1,00,972(46.41)	1,27,517(51.72)
5	Public Debt Receipts	49,153(35.59)	50,962(33.43)	75,533(42.40)	1,16,586(53.59)	1,19,052(48.28)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	25,595(52.07)	28,705(56.33)	38,078(50.41)	44,467(38.14)	46,995(39.47)
	Net transactions under Ways and Means Advances and Overdraft	22,922(46.63)	21,823(42.82)	37,248(49.32)	69,454(59.57)	67,274(56.51)
	Loans and Advances from Government of India	636(1.30)	434(0.85)	207(0.27)	2,665(2.29)	4,783(4.02)
6	Total Receipts in the Consolidated Fund (4+5)	1,38,115(56.46)	1,52,448(57.19)	1,78,139(68.24)	2,17,558(75.15)	2,46,569(75.33)
7	Contingency Fund receipts	0(0)	0.09(0)	2.10(0.01)	4.21(0)	0(0)
8	Public Account receipts	1,06,511(43.54)	1,14,152(42.81)	82,860(31.75)	71,937(24.85)	80,760(24.67)
9	Total Receipts of Government (6+7+8)	2,44,626	2,66,600	2,61,001	2,89,499	3,27,329

		2017-18	2018-19	2019-20	2020-21	2021-22
Part B Expenditure/Disbursement						
10	Revenue Expenditure	85,365(73.81)	97,083(75.59)	1,08,798(80.97)	1,23,212(82.14)	1,36,804(78.55)
	Plan	0(0)	0(0)	0(0)	0(0)	0(0)
	Non-plan	85,365(100)	97,083(100)	1,08,798(100)	1,23,212(100)	1,36,804(100)
	General Services (including interest payments)	30,872(36.16)	34,199(35.23)	36,441(33.49)	39,477(32.04)	44,433(32.48)
	Social Services	37,260(43.65)	39,721(40.91)	45,833(42.13)	48,400(39.28)	53,181(38.87)
	Economic Services	17,200(20.15)	23,158(23.85)	26,524(24.38)	35,335(28.68)	39,190(28.65)
	Grant-in-Aid and contributions	33(0.04)	5(0.01)	0(0)	0(0)	0(0)
11	Capital Expenditure	23,902(20.66)	22,641(17.63)	16,859(12.55)	15,922(10.61)	28,874(16.58)
	Plan	0(0)	0(0)	0(0)	0(0)	0(0)
	Non-plan	23,902(100)	22,641(100)	16,859(100)	15,922(100)	28,874(100)
	General Services	565(2.36)	703(3.11)	645(3.83)	779(4.89)	961(3.33)
	Social Services	2,851(11.93)	5,620(24.82)	1,765(10.47)	2,147(13.48)	6,345(21.97)
	Economic Services	20,486(85.71)	16,318(72.07)	14,449(85.70)	12,996(81.62)	21,568(74.70)
12	Disbursement of Loans and Advances	6,209(5.37)	8,706(6.78)	8,700(6.47)	10,868(7.24)	8,469(4.86)
13	Inter-State Settlement	186(0.16)	5(0)	8(0.01)	8(0.01)	8(0.005)
14	Total (10+11+12+13)	1,15,662(80.81)	1,28,435(81.73)	1,34,365(74.60)	1,50,010(66.08)	1,74,155(69.59)
15	Repayment of Public Debt	27,471(19.19)	28,716(18.27)	45,740(25.40)	76,991(33.92)	76,117(30.41)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	4,137(15.06)	6,059(21.10)	8,053(17.61)	7,047(9.15)	8,333(10.95)
	Net transactions under Ways and Means Advances and Overdraft	22,922(83.44)	21,823(76)	37,248(81.43)	69,454(90.21)	67,274(88.38)
	Loans and Advances from Government of India	412(1.50)	834(2.90)	439(0.96)	490(0.64)	510(0.67)
16	Appropriation to Contingency Fund	0(0)	0(0)	0(0)	0(0)	0.05
17	Total disbursement out of Consolidated Fund (14+15+16)	1,43,133(59.20)	1,57,151(58.99)	1,80,105(70.32)	2,27,001(77.63)	2,50,272(76.20)
18	Contingency Fund Disbursements	0(0)	2.10(0.01)	4.22(0)	0(0)	0
19	Public account disbursement	98,664(40.80)	1,09,222(41)	76,014(29.68)	65,402(22.37)	78,155(23.80)
20	Total disbursement by the state (17+18+19)	2,41,797	2,66,375	2,56,123	2,92,403	3,28,427
Part C Deficits						
21	Revenue Deficit(-) /Surplus(+) (1-10)	3,459	4,337	(-6,254)	(-)22,298	(-)9,335
22	Fiscal Deficit(-) /Surplus (+) (4-14)	(-)26,700	(-)26,949	(-)31,759	(-)49,038	(-)46,638
23	Primary Deficit(-) /Surplus (+) (22-24)	(-)15,864	(-)14,363	(-)17,373	(-)32,197	(-)27,477

		2017-18	2018-19	2019-20	2020-21	2021-22
Part D Other Data						
24	Interest Payments (included in Revenue Expenditure)	10,836	12,586	14,386	16,841	19,161
25	Financial Assistance to local bodies etc.	30,416	37,908	44,967	54,284	61,400
26	Ways and Means Advances / Overdraft availed (days)	7	32	87	315	289
27	Interest on Ways and Means Advances/Overdraft	14	15	29	71	70
28	Gross State Domestic Product (GSDP)#	7,50,050	8,57,427	9,50,287	9,61,800	11,48,115
29	Outstanding fiscal liabilities (year-end) a s	1,65,849	1,96,963	2,32,181	2,78,018	3,21,612
30	Outstanding guarantees (year-end) e	41,892	77,713	89,601	1,05,007	1,35,283
31	Maximum amount guaranteed (yearend)	41,892	77,713	77,315	89,601	1,05,007
32	Number of incomplete projects*	19	20	604	444	759
33	Capital blocked in incomplete projects*	70,758	1,00,494	1,36,061	1,53,636	1,09,612
Part E Fiscal Health Indicators						
I	Resource Mobilization					
	Own Tax revenue/GSDP	0.075	0.075	0.071	0.069	0.079
	Own Non-Tax Revenue/GSDP	0.010	0.012	0.008	0.006	0.008
	Central transfers/GSDP	0.022	0.022	0.017	0.013	0.016
II	Expenditure Management					
	Total Expenditure/GSDP	0.191	0.183	0.190	0.236	0.218
	Total Expenditure/ Revenue Receipts	1.611	1.550	1.756	2.249	1.963
	Revenue Expenditure/Total Expenditure	0.596	0.618	0.604	0.543	0.547
	Expenditure on Social Services/Total Expenditure	0.318	0.331	0.295	0.244	0.256
	Expenditure on Economic Services/Total Expenditure	0.268	0.264	0.245	0.239	0.258
	Capital Expenditure/Total Expenditure	0.167	0.144	0.094	0.070	0.115
	Capital Expenditure on Social and Economic Services/ Total Expenditure	0.206	0.194	0.137	0.114	0.145

	2017-18	2018-19	2019-20	2020-21	2021-22
III	Management of Fiscal Imbalances				
Revenue Deficit (Surplus)/GSDP	0.005	0.005	(-)0.007	(-)0.023	(-)0.008
Fiscal Deficit/ GSDP	(-)0.036	(-)0.031	(-)0.033	(-)0.051	(-)0.041
Primary Deficit/ GSDP	(-)0.021	(-)0.017	(-)0.018	(-)0.033	(-)0.024
Revenue Surplus/Fiscal Deficit	(-)0.130	(-)0.161	0.197	0.455	0.200
Primary Revenue Balance/ GSDP	0.019	0.020	0.009	(-)0.006	0.009
IV	Management of Fiscal Liabilities				
Fiscal liabilities/ GSDP	0.221	0.230	0.244	0.289	0.280
Fiscal liabilities/RR	1.867	1.942	2.264	2.755	2.523
Primary Deficit <i>vis-à-vis</i> quantum spread	(-)2.06	(-)2.42	(-)4.67	3.45	(-)0.98
Debt Redemption: (Principal + Interest)/Total Debt Receipts	0.790	0.854	0.805	0.754	0.887
V	Other Fiscal Health Indicators				
Return on Investment	0.62	0.48	0.53	0.43	0.17
Financial Assets/Liabilities	0.595	0.658	0.684	0.657	0.68

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

[#] GSDP data from Directorate of Economics and Statistics, Government of Telangana

^α 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

[€] As disclosed in Budget documents

Appendix 2.1

Funds provided (in the form of loans) to various institutions by Government for payment of interest/repayment of loans

(Refer paragraph 2.5.3.3.; page 46)

Sl. No.	Institution	Amount (₹in crore)
1.	Kaleshwaram Irrigation Project Corporation Limited	1,442
2.	Telangana State Housing Corporation Limited	1,486
3.	Telangana Drinking Water Supply Corporation Limited	1,175
4.	Hyderabad Metropolitan Water Supply and Sewerage Board	739
5.	Telangana State Sheep and Goat Development Co-operative Federation Limited	734
6.	Telangana Power Finance Corporation Limited	443
7.	Telangana Water resources Infrastructure Development Corporation	442
8.	Telangana State Horticulture Development Corporation Limited	219
9.	Telangana State Industrial Infrastructure Corporation Limited	213
10.	Telangana Fishermen Co-operative Federation Limited	147
11.	Telangana State Road Transport Corporation	112
12.	Telangana State police Housing Corporation	102
13.	Telangana State Dairy Development Cooperative Federation Limited	84
TOTAL		7,338

Appendix 2.2

List of entities which informed borrowings on behalf of the Government during the Financial year 2021-22 and to end of March 2022
(Refer paragraph 2.7.2; page 61)

(₹ in crore)

Sl. No.	Details	Borrowings on behalf of Government		Guarantee provided by Government as of March 2022	Funds provided (in the form of loans) by Government for payment of interest / repayment of loan	Amount considered as OBB on conservative approach by taking minimum of Col (4) or (5) in each case
		During 2021-22	As of March 2022			
Entities which informed borrowings on behalf of the Government during the year and to end of March 2022						
Public Sector Undertakings						
1	Kaleshwaram Irrigation Project Corporation Limited	17,474	72,067	66,854	1,442	66,854
2	Telangana Water resources Infrastructure Development Corporation	2,362	14,172	13,412	442	13,412
3	Telangana Urban Finance and Infrastructure Development Corporation	370	906	1,361	0	906
4	Telangana State police Housing Corporation	101	319	315	102	315
5	Telangana State Seeds Development Corporation	71	398	0	0	0
Autonomous Bodies						
1	Telangana State Sheep and Goat Development Co-operative Federation Limited	406	3,833	1,920	734	1,920
2	Telangana Fishermen Co-operative Federation Limited	74	639	413	147	413

Sl. No.	Details	Borrowings on behalf of Government		Guarantee provided by Government as of March 2022	Funds provided (in the form of loans) by Government for payment of interest / repayment of loan	Amount considered as OBB on conservative approach by taking minimum of Col (4) or (5) in each case
		During 2021-22	As of March 2022			
	Sub-Total	20,858	92,334	84,275	2,867	83,820
Public Sector Undertakings which have not borrowed during the year but have informed borrowings on behalf of the Government to the end of March 2022*						
1	Telangana State Power Finance Corporation	0	2,764	2,917	443	2,764
2	Hyderabad Metro Rail Limited	0	307	220	0	220
3	Telangana State Leather Industries Promotion Corporation	0	5	0	0	0
	Sub-Total	0	3,076	3,137	443	2,984
	Total	20,858	95,410	87,412	3,310	86,804

Source: Finance Accounts, Information furnished by the PSUs/ABs concerned, Government Orders
*Appendix 2.1 State Finances Audit Report 2020-21

Appendix 2.3

List of entities which informed Borrowings on behalf of State Government in previous year(s), but informed 'nil' borrowing on behalf of the Government in the current year and to the end of 31 March 2022
(Refer paragraph 2.7.2 ; page 61)

Sl. No.	Entity	Guarantee provided by Government as of March 2022 (₹ in crore)	Funds provided (in the form of loans) by Government for payment of interest / repayment of loan (₹ in crore)	Remarks
1	Telangana Drinking Water Supply Corporation Limited (PSU)	24,364	1,175	This PSU implements Mission Bhagirtatha, Drinking water supply scheme of the Government. Budget speeches of 2016-17 and 2017-18 informed the Legislature that the schemes would be implemented through Extra-Budgetary Resources. Further, the PSU had informed Audit in 2019-20 and 2020-21 that it had borrowed on behalf of the Government. This year, it informed that there are no borrowings on behalf of the Government, which is in contrast with the earlier information from the entity.
2	Telangana State Housing Corporation Limited (PSU)	7,436	1,486	This PSU implements Two Bed room housing scheme of the Government. Budget speeches of 2016-17 and 2017-18 informed the Legislature that this scheme would be implemented through Extra-Budgetary Resources. Further, the PSU had informed Audit in 2019-20 and 2020-21 that it had borrowed on behalf of the Government. This year, it informed that there are no borrowings on behalf of the Government, which is in contrast with the earlier information from the entity.
3	Telangana State Horticulture Development Corporation Limited (PSU)	351	219	This PSU implements Micro Irrigation programme of the Government. Budget speech of 2017-18 informed the Legislature that this scheme would be implemented through Extra-Budgetary Resources. Further, the PSU had informed Audit in 2019-20 and 2020-21 that it had borrowed on behalf of the Government. This year, it informed that there are no borrowings on behalf of the Government, which is in contrast with the earlier information from the entity.

Sl. No.	Entity	Guarantee provided by Government as of March 2022 (₹ in crore)	Funds provided (in the form of loans) by Government for payment of interest / repayment of loan (₹ in crore)	Remarks
4	Telangana State Industrial Infrastructure Corporation Limited (PSU)	405	213	The PSU had informed Audit in 2019-20 and 2020-21 that it had borrowed on behalf of the Government. This year, it informed that there are no borrowings on behalf of the Government, which is in contrast with the earlier information.
5	Hyderabad Metropolitan Water Supply and Sewerage Board (AB)	2,873	739	This AB implements Water supply and sewerage schemes of the Government. It had informed Audit in 2019-20 that it had borrowed on behalf of the Government. This year, it informed that there are no borrowings on behalf of the Government, which is in contrast with the earlier information.
6	Telangana State Dairy Development Cooperative Federation Limited (AB)	238	84	The AB had informed Audit in 2019-20 and 2020-21 that it had borrowed on behalf of the Government. This year, however, it did not provide any information despite being specifically called for.
	Total	35,667	3,916	

Appendix 3.1

Excess Expenditure against amounts authorised by the Legislature during the year
2021-22

(Refer paragraph 3.4.2.1, page 90)

Sl. No.	Grant No.	Name of the Grant or Appropriation	Total Grant (in ₹)	Expenditure (in ₹)	Excess expenditure (in ₹)
Revenue Voted					
1	IX	Fiscal Administration, Planning, Surveys and Statistics	1,93,76,81,43,000	2,45,92,93,91,301	52,16,12,48,301
2	XXIX	Forest, Science, Technology and Environment	11,23,65,23,000	11,23,76,99,401	11,76,401
3	XXXV	Energy	79,15,28,75,000	82,07,08,99,742	2,91,80,24,742
Sub Total			2,84,15,75,41,000	3,39,23,79,90,444	55,08,04,49,444
Capital Voted					
4	VIII	Transport Administration	5,00,00,000	5,49,85,277	49,85,277
5	XVI	Medical and Health	3,81,63,08,000	5,09,19,83,216	1,27,56,75,216
6	XX	Labour and Employment	2,02,94,000	5,39,40,347	3,36,46,347
7	XXVI	Women, Child and Disabled Welfare	2,73,29,000	8,71,94,474	5,98,65,474
8	XXX	Co-operation	0	1,61,46,839	1,61,46,839
9	XXXI	Panchayat Raj	51,66,55,90,000	57,34,54,73,236	5,67,98,83,236
10	XXXIII	Major and Medium Irrigation	1,14,90,20,91,000	1,20,71,31,94,892	5,81,11,03,892
Sub Total			1,70,48,16,12,000	1,83,36,29,18,281	12,88,13,06,281
Loans Voted					
11	XXXV	Energy	4,24,83,18,000	4,42,80,31,242	17,97,13,242
Sub Total			4,24,83,18,000	4,42,80,31,242	17,97,13,242
Revenue Charged					
12	V	Revenue, Registration and Relief	1,00,000	75,12,64,667	75,11,64,667
13	IX	Fiscal Administration, Planning, Surveys and Statistics	1,78,42,44,16,000	1,91,62,51,39,329	13,20,07,23,329
Sub Total			1,78,42,45,16,000	1,92,37,64,03,996	13,95,18,87,996
Loans Charged					
14	IX	Fiscal Administration, Planning, Surveys and Statistics	92,73,22,23,000	7,61,16,82,24,268	6,68,43,60,01,268
Sub Total			92,73,22,23,000	7,61,16,82,24,268	6,68,43,60,01,268
Grand Total			7,30,04,42,10,000	14,80,57,35,68,231	7,50,52,93,58,231

Appendix 3.2

Excess expenditure relating to Previous years requiring regularisation
(Refer paragraph 3.4.2.2; page 92)

(₹ in crore)

	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
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	Not yet regularised
	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	Not yet regularised
	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	

Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation	
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		
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	Not yet regularised
	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	
	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	

Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
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					Not yet regularised
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					Not yet regularised
1	IV	General Administration and Elections	Revenue Voted	39.93	
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	
7	XII	School Education	Revenue Voted	1,283.27	
8	XIV	Technical Education	Revenue Voted	4.10	
9	XVIII	Housing	Revenue Voted	101.09	
10	XXIV	Forest, Science, Technology and Environment	Revenue Voted	8.84	
11	V	Revenue, Registration and Relief	Capital Voted	0.00	
12	VI	Excise Administration	Capital Voted	0.03	

Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation		
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 Classess 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				47,896.43			
2020-21	1	I	State Legislature	Capital voted		0.10	Not yet regularised
	2	V	Revenue, Registration and Relief	Capital voted		2.67	
	3	VI	Excise Administration	Capital voted		2.46	
	4	VI	Excise Administration	Revenue Voted		11.66	

Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation	
5	VIII	Transport Administration	Capital voted	0.01		
6	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Charged	69,123.67		
7	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Charged	2,138.31		
8	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	9,123.24		
9	X	Home Administration	Revenue Voted	267.02		
10	XI	Roads, Buildings and Ports	Revenue Voted	34.92		
11	XII	School Education	Capital voted	184.17		
12	XIV	Technical Education	Capital voted	7.67		
13	XV	Sports and Youth Services	Capital voted	0.91		
14	XVI	Medical and Health	Capital voted	62.96		
15	XX	Labour and Employment	Capital voted	0.75		
16	XXVII	Agriculture	loans Voted	61.66		
17	XXXI	Panchayat Raj	Revenue Voted	138.11		
18	XXXII	Rural Development	Capital voted	164.81		
19	XXXIV	Minor Irrigation	Capital voted	174.48		
20	XXXIV	Minor Irrigation	Revenue Voted	4.42		
21	XXXVI	Industries and Commerce	loans Voted	10.31		
22	XXXVII	Tourism, Art and Culture	Capital voted	0.24		
Sub Total				81,514.54		
Grand Total				2,14,061.96		

Appendix 3.3

Grants with savings of more than ₹1,000 crore

(Refer paragraph 3.4.3; page 94)

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Original	Supplementary	Total	Expenditure	Savings
Revenue Voted							
1	XII	School Education	11,183.63	2,950.89	14,134.52	12,518.25	1,616.26
2	XVII	Municipal Administration and Urban Development	8,546.40	70.21	8,616.61	3,460.93	5,155.68
3	XVIII	Housing	7,221.38	0.26	7,221.64	251.78	6,969.87
4	XXI	Social Welfare	17,762.28	0.26	17,762.54	14,185.18	3,577.86
5	XXII	Tribal Welfare	10,088.37	4.11	10,092.48	7,998.61	2,093.87
6	XXVII	Agriculture	18,705.30	318.70	19,024.00	14,622.19	4,401.81
7	XXXII	Rural Development	11,383.94	1.32	11,385.26	7,084.67	4,300.59
8	XXXVI	Industries and Commerce	1,628.21	57.81	1,686.02	285.54	1,400.47
9	XXXVIII	Civil Supplies Administration	1,508.88	75.31	1,584.19	547.80	1,036.39
	Revenue Voted Sub-Total		88,028.39	3,478.87	91,507.26	60,954.95	30,552.82
Capital Voted							
10	IX	Fiscal Administration, Planning, Surveys and Statistics	5,264.96	7.00	5,271.96	1,420.78	3,851.18
11	XI	Roads, Buildings and Ports	5,433.57	721.97	6,155.54	3,395.32	2,760.22
12	XVII	Municipal Administration and Urban Development	1,962.22	-	1,962.22	-	1,962.22
13	XXI	Social Welfare	1,550.83	-	1,550.83	253.82	1,297.01
	Capital Voted Sub-Total		14,211.58	728.97	14,940.55	5,069.92	9,870.63
Loans Voted							
14	XI	Roads, Buildings and Ports	1,221.36	-	1,221.36	154.32	1,067.04
15	XVII	Municipal Administration and Urban Development	3,603.62	-	3,603.62	1,439.52	2,164.10
16	XXXI	Panchayat Raj	5,136.15	299.57	5,435.72	1,174.74	4,260.98
17	XXXIII	Major and Medium Irrigation	8,940.88	410.06	9,350.95	1,884.47	7,466.47
	Loans Voted Sub-Total		18,902.01	709.63	19,611.65	4,653.05	14,958.59
	Grand Total		1,21,141.98	4,917.47	1,26,059.46	70,677.92	55,381.54

Appendix 4.1
Year-wise pendency of AC bills
(Refer paragraph 4.7; page 123)

Year	Pay and Accounts Office, Hyderabad		Treasuries		Total	
	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)
2004-05	10	1.58	0	0.00	10	1.58
2005-06	13	2.24	0	0.00	13	2.24
2006-07	14	1.59	0	0.00	14	1.59
2007-08	13	0.07	0	0.00	13	0.07
2008-09	18	3.85	0	0.00	18	3.85
2009-10	21	5.45	0	0.00	21	5.45
2010-11	16	2.35	0	0.00	16	2.35
2011-12	5	0.75	0	0.00	5	0.75
2012-13	13	0.57	0	0.00	13	0.57
2013-14	60	26.62	0	0.00	60	26.62
2014-15	17	12.23	24	7.43	41	19.66
2015-16	1	0.04	2	0.20	3	0.24
2016-17	0	-	3	5.62	3	5.62
2017-18	0	-	2	0.01	2	0.01
2018-19	3	0.12	4	0.05	7	0.17
2019-20	6	1.81	2	0.06	8	1.87
2020-21	1	1.99	5	3.95	6	5.94
2021-22	229	79.91	14	0.89	243	80.80
Total	440	141.18	56	18.22	496	159.40

Appendix 4.2

Department-wise pendency of AC bills

(Refer paragraph 4.7; page 124)

Sl. No.	Name of the Department	Pay and Accounts Office, Hyderabad		Treasuries		Total	
		No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)
1	Office of the Inspector General of Police, Intelligence Department	3	38.26	---	---	3	38.26
2	Director of medical education	2	20.00	---	---	2	20.00
3	Land Revenue Department	---	---	27	13.14	27	13.14
4	Drawing Officer High Court	18	11.55	---	---	18	11.55
5	All Police Station	189	5.73	---	---	189	5.73
6	Collectorate Hyderabad District	2	3.71	---	---	2	3.71
7	Social Welfare	---	---	4	3.85	4	3.85
8	Police Transport Organisation	2	2.50	---	---	2	2.50
9	Roads & Buildings Department	2	1.00	---	---	2	1.00
10	Director Of Public Health and Family Welfare director Of Public Health	1	0.89	---	---	1	0.89
11	School Education	---	---	4	0.78	4	0.78
12	Principal Chief Conservator of Forest	---	---	10	0.33	10	0.33
13	Assistant Secretary to Government, GAD	2	0.05	---	---	2	0.05
14	Information & Public Relations Department	1	0.04	---	---	1	0.04
15	Department of Protocol	2	0.04	---	---	2	0.04
16	National Cadet Corps (NCC)	4	0.03	---	---	4	0.03
17	Legislature Secretariat	1	0.03	---	---	1	0.03
18	Superintendent Govt Spl-Cum-Children and Observation Home For Girls Hyderabad	5	0.02	---	---	5	0.02
19	Director General & Inspector General of Police	1	0.01	---	---	1	0.01
20	Office of the Superintendent, Government Observation Home for Boys, Hyderabad	2	0.01	---	---	2	0.01

Appendix 4.3

Cases where entire Receipts were booked under omnibus Minor Head - 800 in 2021-22

(Refer paragraph 4.9; page 127)

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	0.27	0.27	100.00
2	0211	Family Welfare	0.05	0.05	100.00
3	0217	Urban Development	92.70	92.70	100.00
4	0235	Social Security and Welfare	1.86	1.86	100.00
5	0435	Other Agricultural Programmes	0.02	0.02	100.00
6	0506	Land Reforms	0.70	0.70	100.00
7	0801	Power	10.65	10.65	100.00
8	1053	Civil Aviation	4.67	4.67	100.00
9	1452	Tourism	2.69	2.69	100.00
10	1456	Civil Supplies	11.74	11.76	100.13*
11	0701	Medium Irrigation	4.91	4.91	100.00
12	0875	Other Industries	0.01	0.01	100.00
TOTAL			130.27	130.29	

*Percentage figure is more than 100 as total receipts under the Major Head is reduced mainly due to deduct-Refunds in other Minor Heads (Receipts under Minor Head 800 Other Receipts: ₹ 11.76 crore; Minor Head 900 Deduct-Refunds: ₹(-)0.02 crore)

Appendix 4.4

Cases where more than 50 per cent of Receipts were booked under omnibus Minor Head 800 for the year 2021-22

(Refer paragraph 4.9; page 128)

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	7.36	7.34	99.74
2	0515	Other Rural Development Programmes	11.46	11.45	99.98
3	0700	Major Irrigation	19.04	18.63	97.85
4	0425	Co-operation	6.87	6.65	96.75
5	1054	Roads and Bridges	18.02	17.32	96.13
6	0401	Crop Husbandry	10.23	9.07	88.67
7	0220	Information and Publicity	9.17	9.17	99.98
8	0049	Interest Receipts	20.30	18.46	90.95
9	0058	Stationery and Printing	0.42	0.26	63.18
10	0406	Forestry and Wild Life	26.52	21.17	79.82
11	0059	Public Works	5.76	3.88	67.43
12	0029	Land Revenue	0.26	0.20	76.28
Total			135.41	123.60	

Appendix 4.5

Cases where more than 50 per cent of Expenditure was booked under omnibus Minor Head - 800 for the year 2021-22

(Refer paragraph 4.9; page 128)

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	95.21	88.58	93.04
2	4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	398.99	263.00	65.92
3	2405	Fisheries	68.86	41.00	59.55
4	2700	Major Irrigation	310.20	178.00	57.38
		Total	873.26	570.58	

Appendix 4.6

List of Major Heads in which receipts of ₹100 crore and above are not reconciled

(Refer paragraph 4.11; page 131)

Sl. No.	MH	Major Head Description	Unreconciled figure (₹ in crore)
1	0075	Miscellaneous General Services	3,907
2	0250	Other Social Services	1,014
3	0043	Taxes and Duties on Electricity	531
4	0202	Education, Sports, Art and Culture	495
5	0210	Medical and Public Health	407
6	0070	Other Administrative Services	146
		TOTAL	6,500

Appendix 4.7

List of CCOs who have not reconciled expenditure of ₹100 crore and above

(Refer paragraph 4.11; page 131)

Sl. No.	CCO	CCO Designation	Unreconciled figure (₹ in crore)
1	31002	The Commissioner, Panchayat Raj, Urdu Hall Lane, Himayatnagar	3,447
2	17001	The Secretary, Municipal Administration and Urban Development Department Telangana Secretariat	3,240
3	33060	Engineer-in-Chief, Irrigation (General), Hyderabad	2,375
4	23002	The Commissioner, Backward Classes Welfare, D.S. Samkshema Bhavan, Masab Tank	1,675
5	16001	The Deputy Secretary to Government, Health, Medical and Welfare Department, Secretariat	1,167
6	22001	The Accounts Officer, O/o the Commissioner of Tribal Welfare D.S Samkshema Bhavan, Masab Tank	1,071
7	21002	The Commissioner Social Welfare, D.S. Samkshema Bhavan, Masab Tank	913
8	03002	The Registrar, Telangana High Court, Nayapul	617
9	05010	Commissioner for Relief - HOD Commissioner for Relief, Revenue (Relief), Secretariat	593
10	13001	Higher Education, Secretariat Department. - HOD Secretary, Higher Education Department	554
11	13004	Collegiate Education - HOD Director of Collegiate Education, Opp. Lata Talkies, Nampally	454
12	34072	Chief Engineer, Irrigation, Hyderabad	419
13	31003	Engineer-in-Chief, (Genl.&Pr), Erramanzil Colony, Hyderabad, Erra Manjil, Telangana	353
14	11016	The Engineer-in-Chief, CRF Office of the Engineer-in-Chief (R&B), IV floor, Erram Manzil	282
15	28002	The Director, Animal Husbandry & Fisheries, Shanthi Nagar, Hyderabad	158
16	20006	The Director, Insurance and Medical Service Insurance and Medical Services, Musheerabad	145
17	01001	Legislature Secretariat Secretary, Telangana State Legislature Assembly Premises	102
		TOTAL	17,564

Appendix 4.8

List of Autonomous Bodies whose accounts are in arrears

(Refer paragraph 4.14; page 134)

Sl. No.	Name of the Office	Accounts to be received	Number of pending years
1	Integrated Tribal Development Agency, Bhadrachalam	2010-11 to 2021-22	12
2	Integrated Tribal Development Agency, Eturunagaram	2007-08 to 2021-22	15
3	Integrated Tribal Development Agency, Utnoor	2009-10 to 2021-22	13
4	Integrated Tribal Development Agency, Plain Areas, TS, Hyderabad	2014-15 to 2021-22	8
5	Telangana Building and Other construction Workers' Welfare Board	2019-20 and 2021-22	3
6	Metropolitan Legal Services Authority	2010-11 to 2021-22	12
7	Telangana State Legal Services Authority, Hyderabad	2018-19 to 2021-22	4
8	District Legal Services Authority, Adilabad	2017-18 to 2021-22	5
9	District Legal Services Authority, Karimnagar	2021-22	1
10	District Legal Services Authority, Nizamabad	2021-22	1
11	District Legal Services Authority, Mahabubnagar	2021-22	1
12	City Civil Court Legal Services Authority, Hyderabad	2021-22	1
13	District Legal Services Authority, Warangal	2017-18 to 2021-22	5
14	District Legal Services Authority, Medak	2021-22	1
15	District Legal Services Authority, Ranga Reddy	2021-22	1
16	District Legal Services Authority, Khammam	2021-22	1
17	Environment Protection Training and Research Institution	2020-21 to 2021-22	2
18	Telangana State Compensatory Afforestation Fund Management and Planning Authority	2020-21 to 2021-22	2
19	Hyderabad Metropolitan Development Authority	2020-21 to 2021-22	2
20	Yadagirigutta Temple Development Authority	2020-21 to 2021-22	2
21	Vemulavada Temple Area Development Authority	2018-19 to 2021-22	4
22	Kakatiya Urban Development Authority	2013-14 to 2021-22	9
23	Hyderabad Metropolitan Water Supply and Sewerage Board	2020-21 to 2021-22	2
24	Stambhadri Urban Development Authority	2017-18 to 2021-22	5
25	Nizamabad Urban Development Authority	2017-18 to 2021-22	5
26	Siddipet Urban Development Authority	2017-18 to 2021-22	5
27	Satavahana Urban Development Authority	2017-18 to 2021-22	5
28	Telangana Vaidya Vidhana Parishad	2014-15 to 2021-22	8
29	Telangana State Khadi and Village Industries Board	2014-15 to 2021-22	8

Appendix 4.9

List of Corporations/Bodies have furnished the information regarding receipts of Grants/Loans

(Refer paragraph 4.15; page 134)

Sl. No.	Corporations/Bodies
1	The Hyderabad Agricultural Co-operative Association Ltd.
2	Telangana State Sheep and Goat Development Co-operative Federation Ltd.
3	Telangana State Fishermen Co-operative Societies Federation Ltd.
4	Telangana State Co-operative Marketing Federation Ltd.
5	Telangana State Industrial Infrastructure Corporation Ltd.
6	Telangana State Handicrafts Development Corporation Ltd
7	Council for Social Development
8	Telangana State Aviation Academy
9	Telangana Water Resources Development Corporation Ltd
10	Telangana State council of Science and Technology (TSCOST)
11	Telangana State Biodiversity Board
12	Telangana State Food Processing Society
13	Palamuru University Mahabubnagar
14	Jawaharlal Nehru Technological University Hyderabad Board
15	Telangana State Leather Industries Promotion Corporation Ltd.
16	Telangana State Agro Industries Development Corporation
17	Telangana State Seeds Development Corp Ltd
18	Telangana State Aviation Corporation Ltd

Appendix 4.10

Department-wise status of receipt of Explanatory Notes

(Refer paragraph 4.16; page 135)

Sl. No.	Department	Total ENs to be received	ENs received	ENs yet to be received
1	Agriculture & Cooperation	3	NIL	3
2	Animal Husbandry, Dairy Development & Fisheries	1	NIL	1
3	Consumer Affairs, Food & Civil Supplies	1	1	NIL
4	Energy	4	NIL	4
5	Environment, Forest, Science & Technology	2	2	NIL
6	Finance	169	158	11
7	Health, Medical & Family Welfare	2	1	1
8	Home	1	NIL	1
9	Housing	2	1	1
10	Irrigation & Command Area Development	3	3	NIL
11	Law	1	1	NIL
12	Municipal Administration & Urban Development	3	3	NIL
13	Panchayat Raj & Rural Development	5	1	4
14	Planning	1	NIL	1
15	Revenue	3	NIL	3
16	Scheduled Castes Development	2	1	1
17	School Education	3	3	NIL
18	Tribal Welfare	2	2	NIL
19	Women, Children, Disabled & Senior Citizens	1	NIL	1
	Total	209	177	32

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 and 5.5.1; page 139 and 140)

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	2021-22	0	0
2	Northern Power Distribution Company of Telangana Limited	2021-22	0	0
3	Southern Power Distribution Company of Telangana Limited	2021-22	0	0
4	Telangana Power Finance Corporation Limited	2021-22	0	0
5	Telangana State Power Generation Corporation Limited	2021-22	0	0
6	Transmission Corporation of Telangana Limited	2021-22	0	0
7	Telangana State Renewable Energy Development Corporation Limited	2018-19	2019-22	3
8	Andhra Pradesh Tribal Power Corporation Limited [#]	2016-17	2017-22	5
Non-Power Sector PSUs				
Government Companies				
9	Damodhara Mineral Private Limited	2021-22	0	0
10	Manjira Lift Irrigation Corporation Limited	2021-22	0	0
11	Telangana Industrial Health Clinic Limited	2021-22	0	0
12	Telangana State Horticulture Development Corporation Limited	2021-22	0	0
13	Telangana State Technology Services Limited	2021-22	0	0
14	Telangana Water Resources Development Corporation Limited	2021-22	0	0
15	The Nizam Sugars Limited	2021-22	0	0
16	Hyderabad Road Development Corporation Limited	2020-21	2021-22	1
17	Kaleshwaram Irrigation Project Corporation Limited	2020-21	2021-22	1
18	Musi Riverfront Development Corporation Limited	2020-21	2021-22	1
19	Telangana Overseas Manpower Company Limited	2020-21	2021-22	1
20	Telangana Rythu Bandhu Samithi	2020-21	2021-22	1
21	Telangana State Film Development Corporation Limited	2020-21	2021-22	1
22	Telangana State Minorities Finance Corporation	2020-21	2021-22	1
23	Telangana State Police Housing Corporation Limited	2020-21	2021-22	1
24	Telangana State Seeds Development Corporation Limited	2020-21	2021-22	1
25	T-Works Foundation	2020-21	2021-22	1
26	Bio Tech Hub Limited	Not Received (DoI 2 Jul 2020)	2020-22	2
27	Infrastructure Corporation of Andhra Pradesh Limited [#]	2019-20	2020-22	2
28	Telangana Drinking Water Supply Corporation Limited	2019-20	2020-22	2
29	Telangana Fiber Grid Corporation Limited	2019-20	2020-22	2
30	Telangana State Irrigation Development Corporation Limited	2019-20	2020-22	2
31	Telangana State Mineral Development Corporation Limited	2019-20	2020-22	2

Sl. No.	Name of the PSU	Accounts finalized up to	Year(s) Pending Finalisation	No. of years pending
32	Telangana State Water Resources Infrastructure Development Corporation Limited	2019-20	2020-22	2
33	Telangana Urban Finance Infrastructure Development Corporation Limited	2019-20	2020-22	2
34	Photonics Valley Corporation	2015-19	2019-22	3
35	E-city Manufacturing Cluster Limited	2018-19	2019-22	3
36	Fab City (India) Private Limited	2018-19	2019-22	3
37	Hyderabad Pharma City Limited	2018-19	2019-22	3
38	Maheswaram Science Park	2018-19	2019-22	3
39	Pashamylaram Textile Park Limited	2018-19	2019-22	3
40	Telangana Life Sciences Infrastructure Development Limited	2018-19	2019-22	3
41	Telangana State Forest Development Corporation Limited	2018-19	2019-22	3
42	Telangana State Agro Industries Development Corporation	2018-19	2019-22	3
43	Telangana State Industrial Infrastructure Corporation Limited	2018-19	2019-22	3
44	Telangana State Most Backward Classes Development Corporation	2017-19	2019-22	3
45	Telangana State Trade Promotion Corporation Limited	2018-19	2019-22	3
46	Zaheerabad NIMZ Limited	2018-19	2019-22	3
47	Hyderabad Airport Metro Limited	Not Received (DoI 1 Apr 2018)	2018-22	4
48	Telangana Handloom Development Corporation Limited	Not Received (DoI 19 Jun 2018)	2018-22	4
49	Telangana Powerloom & Textiles Development Corporation Limited	Not Received (DoI 19 Jun 2018)	2018-22	4
50	Telangana Rajiv Swagruha Corporation Limited	Not Received (DoI 1 Mar 2018)	2018-22	4
51	Telangana State Beverages Corporation Limited	2017-18	2018-22	4
52	Wehub Foundation	Not Received (DoI 30 Aug 2018)	2018-22	4
53	Hyderabad Metro Rail Limited	2016-17	2017-22	5
54	Telangana State Civil Supplies Corporation Limited	2016-17	2017-22	5
55	Telangana State Handicrafts Development Corporation Limited	2016-17	2017-22	5
56	Telangana State Tourism Development Corporation Limited	2016-17	2017-22	5
57	Telangana State Housing Corporation Limited	2015-16	2016-22	6
58	Telangana State Industrial Development Corporation Limited	2015-16	2016-22	6
59	Telangana State Leather Industries Promotion Corporation Limited	2015-16	2016-22	6
60	Telangana State Aviation Corporation Limited	Not Received	2015-22	7

Sl. No.	Name of the PSU	Accounts finalized up to	Year(s) Pending Finalisation	No. of years pending
		(DoI 15 May 2015)		
61	Telangana State Christian Minorities Finance Corporation	Not Received (DoI 13 Mar 2015)	2015-22	7
Statutory Corporation				
62	Telangana State Road Transport Corporation	Not Received (DoI 27 Apr 2016)	2016-22	6
63	Telangana State Warehousing Corporation	2015-16	2016-22	6
64	Telangana State Financial Corporation	Not Received (DoI 31 Aug 2018)	2015-22	7
Government Controlled Other Companies				
65	Hyderabad Growth Corridor Limited	2020-21	2021-22	1
66	Karimnagar Smart City Corporation Limited	Not Received (DoI 05 Sep 2017)	2017-22	5
67	Greater Warangal Smart City Corporation Limited	Not Received (DoI 18 Aug 2016)	2016-22	6
Inactive PSUs				
68	Andhra Pradesh Essential Commodities Corporation Limited [#]	2013-14	2014-22	8
69	Andhra Pradesh Electronics Development Corporation Limited [#]	2002-03	2003-22	19
70	A.P Small Scale Industrial Development Corporation Limited [#]	2001-02	2002-22	19
71	Allwyn Watches Limited [#]	1998-99	1999-22	23
72	Golkonda Abrasives Limited [#]	1997-98	1998-22	24
73	Apronix Communications Limited [#]	NA	NA	NA
74	Allwyn Auto Limited [#]	1994-95	1995-22	27
75	Andhra Pradesh Automobile Tyres & Tubes Limited [#]	1992-93	1993-22	29
76	Marine and Communication Electronics (India) Limited [#]	1992-93	1993-22	29
77	Andhra Pradesh Steels Limited [#]	1991-92	1992-22	30
78	Republic Forge Company Limited [#]	1991-92	1992-22	30
79	PJ Chemicals Limited [#]	1989-90	1990-22	32
80	Vidyut Steels Limited [#]	1985-86	1986-22	35
81	Krishi Engineering Limited [#]	1984-85	1985-22	36
82	Hyderabad Chemicals and Fertilizers Limited [#]	1984-85	1985-22	37
83	TSMDC-SCCL Suliyari Coal Company Limited	Not Received (DoI 1 Jul 2013)	2013-22	9

[#] Companies under demerger
DoI: Date of Incorporation of PSU

Appendix 5.2

**Statement showing the Budgetary support provided to PSUs
during the years 2019-20 to 2021-22
(Reference to paragraphs 5.5.1 and 5.5.3, pages 141 and 143)**

(₹ in crore)

Sl. No.	Name of the PSU	Year up to which accounts finalised	Equity Capital Outgo (i)	Loans given (ii)	Grants/ Subsidy provided (iii)	Total Outgo (i+ii+iii)
Year of Outgo 2019-20						
1	Southern Power Distribution Company of Telangana Limited	2021-22	1,400.00	0.00	1,172.00	2,572.00
2	Northern Power Distribution Company of Telangana Limited	2021-22	600.00	0.00	3,569.39	4,169.39
3	Telangana State Renewable Energy Development Corporation Limited	2018-19	0.00	0.00	8.78	8.78
4	Hyderabad Metro Rail Limited	2016-17	0.00	95.00	0.00	95.00
5	Hyderabad Road Development Corporation Limited	2020-21	0.00	0.00	50.00	50.00
6	Telangana Fiber Grid Corporation Limited	2019-20	0.00	0.00	2.76	2.76
7	Telangana Industrial Health Clinic Limited	2021-22	2.50	0.00	0.00	2.50
8	Telangana Rythu Bandhu Samithi	2020-21	0.00	0.00	0.05	0.05
9	Telangana State Film Development Corporation Limited	2020-21	0.00	0.00	1.07	1.07
10	Telangana State Aviation Corporation Limited	First Accounts not submitted	0.00	0.00	20.96	20.96
11	Telangana State Civil Supplies Corporation Limited	2016-17	0.00	0.00	1,829.56	1,829.56
12	Telangana State Housing Corporation Limited	2015-16	0.00	1,519.76	653.48	2,173.24
13	Telangana State Minorities Finance Corporation	2020-21	0.00	0.00	5.37	5.37
14	Telangana State Road Transport Corporation	First Accounts not submitted	0.00	155.00	460.80	615.80
15	Telangana State Seeds Development Corporation Limited	2020-21	0.00	0.00	40.74	40.74
16	Telangana Water Resources Development Corporation Limited	2021-22	0.00	0.00	0.51	0.51
17	T-Works Foundation	2020-21	0.00	0.00	1.32	1.32
18	Wehub Foundation	First Accounts not submitted	0.00	0.00	2.81	2.81
Total Outgo for the year 2019-20						11,591.86

Sl. No.	Name of the PSU	Year up to which accounts finalised	Equity Capital Outgo (i)	Loans given (ii)	Grants/ Subsidy provided (iii)	Total Outgo (i+ii+iii)
Year of Outgo 2020-21						
1	Southern Power Distribution Company of Telangana Limited	2021-22	0.00	0.00	1,397.50	1,397.50
2	Northern Power Distribution Company of Telangana Limited	2021-22	0.00	0.00	4,254.15	4,254.15
3	Telangana Power Finance Corporation Limited	2021-22	1.95	0.00	0.00	1.95
4	Telangana State Renewable Energy Development Corporation Limited	2018-19	0.00	0.00	9.74	9.74
5	Bio Tech Hub Limited	First Accounts not submitted	0.01	0.00	0.00	0.01
6	Hyderabad Metro Rail Limited	2020-21	0.00	20.00	0.00	20.00
7	Hyderabad Road Development Corporation Limited	2015-16	0.00	0.00	50.00	50.00
8	Telangana Fiber Grid Corporation Limited	First Accounts not submitted	0.00	0.00	0.60	0.60
9	Telangana Industrial Health Clinic Limited	2016-17	0.00	0.00	10.00	10.00
10	Telangana State Film Development Corporation Limited	2020-21	0.00	0.00	1.73	1.73
11	Telangana State Mineral Development Corporation Limited	2019-20	0.02	0.00	0.00	0.02
12	Telangana State Aviation Corporation Limited	First Accounts not submitted	0.00	0.00	21.90	21.90
13	Telangana State Civil Supplies Corporation Limited	2016-17	0.00	0.00	918.82	918.82
14	Telangana State Housing Corporation Limited	First Accounts not submitted	0.00	2,461.06	162.10	2,623.16
15	Telangana State Minorities Finance Corporation	2018-19	0.00	0.00	24.68	24.68
16	Telangana State Road Transport Corporation	First Accounts not submitted	0.00	270.29	603.69	873.98
17	Telangana State Seeds Development Corporation Limited	2020-21	0.00	0.00	57.05	57.05
18	Telangana State Water Resources Infrastructure Development Corporation Limited	2019-20	0.00	0.00	1,221.41	1,221.41
19	T-Works Foundation	2020-21	0.00	0.00	0.16	0.16
20	Wehub Foundation	First Accounts not submitted	0.00	0.00	3.00	3.00
Total Outgo for the year 2020-21						11,489.86

SI. No.	Name of the PSU	Year up to which accounts finalised	Equity Capital Outgo (i)	Loans given (ii)	Grants/ Subsidy provided (iii)	Total Outgo (i+ii+iii)
Year of Outgo 2021-22						
1	Northern Power Distribution Company of Telangana Limited	2021-22	0.00	0.00	90.34	90.34
2	Southern Power Distribution Company of Telangana Limited	2021-22	0.00	0.00	1,491.99	1,417.48
3	Telangana State Renewable Energy Development Corporation Limited	2018-19	0.00	0.00	10.04	10.04
4	Hyderabad Metro Rail Limited	2016-17	0.00	200.00	0.00	200.00
5	Hyderabad Road Development Corporation Limited	2020-21	0.00	0.00	1.76	1.76
6	Photonic Valley Corporation	2018-19	0.00	0.00	0.97	0.97
7	Telangana Fiber Grid Corporation Limited	2019-20	2.50	0.00	3.34	5.84
8	Telangana State Film Development Corporation Limited	2020-21	0.00	0.00	1.22	1.22
9	Telangana State Aviation Corporation Limited	First Accounts not submitted	0.00	0.00	25.50	25.50
10	Telangana State Civil Supplies Corporation Limited	2016-17	0.00	0.00	1,759.91	1,759.91
11	Telangana State Housing Corporation Limited	2015-16	0.00	2,264.53	650.00	2,914.53
12	Telangana State Minorities Finance Corporation	2020-21	0.00	0.00	7.14	7.14
13	Telangana State Road Transport Corporation	First Accounts not submitted	536.92	62.44	791.14	1,390.50
14	Telangana State Seeds Development Corporation Limited	2020-21	0.00	0.00	25.35	25.35
15	Telangana State Water Resources Infrastructure Development Corporation Limited	2019-20	0.00	3,559.96	57.93	3,617.89
16	Telangana Water Resource Development Corporation Limited	2021-22	0.50	0.00	0.00	0.50
17	T-Works Foundation	2020-21	0.00	0.00	4.50	4.50
Total Outgo for the year 2021-22						11,473.47

Appendix 5.3

Statement showing list of PSUs having Negative Net Worth as on 31 March 2022

(Reference to paragraph 5.7.2, page 146)

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Latest year of finalised accounts	Total Paid-Up Capital	Accumulated Loss	Net Worth	Net Profit/Loss after interest, tax and dividend	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
Power Sector								
1	Northern Power Distribution Company of Telangana Limited	2021-22	5,869.20	(-15,633.74)	(-9,764.54)	(-204.03)	5,869.20	351.28
2	Southern Power Distribution Company of Telangana Limited	2021-22	12,017.93	(-34,182.14)	(-22,164.21)	(-626.80)	12,017.93	380.06
Non-Power Sector								
3	Damodhara Minerals Private Limited	2021-22	0.04	(-0.12)	(-0.08)	(-0.01)	0.00	0.00
4	Hyderabad Airport Metro Limited	Not Received	0.38	(-0.81)	(-0.43)	(-0.01)	0.38	0.00
5	Hyderabad Growth Corridor Limited	2020-21	0.15	(-3.42)	(-3.27)	0.04	0.00	0.00
6	Hyderabad Metro Rail Limited	2016-17	0.57	(-2,473.24)	(-2,472.67)	(-97.84)	0.57	2,466.91
7	Telangana Life Sciences Infrastructure Development Limited	2018-19	0.01	(-0.06)	(-0.05)	(-0.03)	0.00	0.00
8	Telangana Rajiv Swargruha Corporation Limited	Not Received	0.05	(-865.62)	(-865.57)	(-324.23)	0.05	0.00
9	Telangana Rythu Bandhu Samithi	2020-21	0.00	(-3.40)	(-3.40)	(-0.04)	0.00	0.00
10	Telangana State Film Development Corporation Limited	2020-21	0.05	(-0.81)	(-0.76)	(-0.45)	0.05	0.00
11	Telangana State Housing Corporation Limited	2015-16	0.25	(-5,723.14)	(-5,722.89)	(-817.16)	0.25	6,347.75
12	Telangana State Minorities Finance Corporation	2020-21	0.05	(-9.19)	(-9.14)	(-4.36)	0.05	4.19
13	Telangana State Road Transport Corporation	Not Received	1,067.89	(-10,288.80)	(-9,240.98)	(-1,986.59)	1,042.44	1,327.82
14	Telangana Water Resource Development Corporation Limited	2021-22	1.00	(-1.00)	0.00	(-0.52)	1.00	0.00
15	The Nizam Sugars Limited	2021-22	34.00	(-252.09)	(-218.09)	0.85	33.29	35.95
16	T-Works Foundation	2020-21	0.00	(-0.68)	(-0.68)	0.82	0.00	0.00
17	Wehub Foundation	Not Received	0.00	(-9.31)	(-9.31)	(-2.66)	0.00	0.00
	TOTAL		18,991.57	(-69,447.57)	(-50,476.07)	(-4,063.02)	18,965.21	10,913.96

Appendix 5.4

Statement showing Return on Equity of PSUs as on 31st March 2022
(Reference to paragraph 5.9.1.1, page 149)

(Figure in Columns 3,4,6,7,9 and 10 are in ₹ crore)

Sl. No.	Sector & Name of the PSUs	Year									
		2019-20			2020-21			2021-22			
		PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)	
1	Northern Power Distribution Company of Telangana Limited	(-)1,116.30	(-)7,314.41	-	(-)2,440.37	(-)9,557.68	-	(-)204.03	(-)9,764.54	-	
2	Southern Power Distribution Company of Telangana Limited	(-)4,940.25	(-)17,291.45	-	(-)4,245.96	(-)21,537.41	-	(-)626.80	(-)22,164.21	-	
3	Telangana Power Finance Corporation Limited	0.00	0.05	0.00	0.00	2.00	0.00	0.00	2.00	0.00	
4	Telangana State Power Generation Corporation Limited	121.69	1,633.26	7.45	168.80	1,802.06	9.37	394.46	2,196.52	17.96	
5	Telangana State Renewable Energy Development Corporation Limited	0.48	-1.26	-	1.11	3.96	28.03	1.86	5.72	32.52	
6	The Singareni Collieries Company Limited	993.86	8,342.78	11.91	272.64	8,516.54	3.20	1,227.04	10,212.74	12.01	
7	Transmission Corporation of Telangana Limited	259.13	1,447.18	17.91	273.77	1,781.14	15.37	86.27	1,839.33	4.69	
	Sub-Total (A)	(-)4,681.39	(-)13,183.85	-	(-)5,970.01	(-)18,989.39	-	878.80	(-)17,672.44	(-)4.97	
8	Bio Tech Hub Limited	0.00	0.00	-	0.00	0.01	-	(-)0.01	0.00	-	
9	Damodhara Minerals Private Limited	(-)0.01	(-)0.07	-	(-)0.01	(-)0.08	-	(-)0.01	(-)0.08	-	
10	Hyderabad Airport Metro Limited	(-)0.79	(-)0.41	-	(-)0.01	(-)0.42	-	(-)0.01	(-)0.43	-	
11	Hyderabad Growth Corridor Limited	0.02	(-)3.33	-	0.02	(-)3.31	-	0.04	(-)3.27	-	
12	Hyderabad Metro Rail Limited	(-)193.20	(-)2,278.37	-	(-)96.46	(-)2,374.83	-	(-)97.84	(-)2,472.67	-	
13	Hyderabad Road Development Corporation Limited	1.61	0.37	435.14	1.02	1.39	73.38	9.25	10.64	86.94	

Sl. No.	Sector & Name of the PSUs	Year												
		2019-20				2020-21				2021-22				
		PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)	
14	Musi Riverfront Development Corporation Limited	0.00	1.00	0.00	0.00	1.00	0.00	0.00	1.00	0.00	0.00	0.00	1.00	0.00
15	Photonics Valley Corporation	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00
16	Telangana Fiber Grid Corporation Limited	(-2.93)	(-4.63)	-	8.97	8.98	99.89	30.20	41.87	72.13				
17	Telangana Industrial Health Clinic Limited	(-1.55)	6.51	-	(-0.71)	5.80	-	(-0.07)	5.73	-				
18	Telangana Life Sciences Infrastructure Development Limited	0.00	0.01	0.00	(-0.02)	(-0.01)	-	(-0.03)	(-0.05)	-				
19	Telangana Rajiv Swagruha Corporation Limited	(-42.37)	(-507.05)	-	(-66.27)	(-541.34)	-	(-324.23)	(-865.57)	-				
20	Telangana Rythu Bandhu Samithi	(-0.21)	(-2.13)	-	(-1.23)	(-3.36)	-	(-0.04)	(-3.40)	-				
21	Telangana State Mineral Development Corporation Limited	37.82	117.62	32.15	42.92	160.56	26.73	40.81	201.37	20.27				
22	Telangana State Aviation Corporation Limited	0.00	0.05	0.00	0.00	0.05	0.00	0.00	0.05	0.00				
23	Telangana State Civil Supplies Corporation Limited	5.64	94.48	5.97	4.19	98.68	4.25	2.35	96.83	2.43				
24	Telangana State Film Development Corporation Limited	(-0.35)	(-0.45)	-	0.14	(-0.31)	-	(-0.45)	(-0.76)	-				
25	Telangana State Forest Development Corporation Limited	51.34	258.74	19.84	51.83	295.02	17.57	40.03	324.10	12.35				
26	Telangana State Horticulture Development Corporation Limited	2.74	5.86	46.76	(-0.74)	5.12	-	(-0.25)	4.87	-				
27	Telangana State Housing Corporation Limited	(-529.67)	(-3,820.70)	-	(-733.15)	(-7,101.80)	-	(-817.16)	(-5,722.89)	-				
28	Telangana State Minorities Finance Corporation	3.06	(-10.31)	-	5.53	(-4.78)	-	(-4.36)	(-9.14)	-				
29	Telangana State Most Backward Classes Development Corporation	0.29	0.35	82.00	0.45	0.80	56.38	2.71	3.52	76.99				

Sl. No.	Sector & Name of the PSUs	Year											
		2019-20				2020-21				2021-22			
		PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)	PAT	Shareholder Fund	ROE (in %)
30	Telangana State Police Housing Corporation Limited	(-)0.43	2.13	-	(-)1.50	0.63	-	0.07	0.63	11.11			
31	Telangana State Road Transport Corporation	(-)1,002.02	(-)5,467.66	-	(-)2,329.23	(-)7,797.02	-	(-)1,986.59	(-)9,240.98	-			
32	Telangana State Seeds Development Corporation Limited	1.34	4.24	31.60	2.12	6.37	33.28	0.68	6.10	11.15			
33	Telangana State Technology Services Limited	23.06	58.59	39.36	10.15	68.75	14.76	9.18	77.93	11.78			
34	Telangana State Warehousing Corporation	57.60	295.56	19.49	98.45	369.37	26.65	109.21	436.13	25.04			
35	Telangana Water Resource Development Corporation Limited	(-)0.24	0.20	-	(-)0.18	0.02	-	(-)0.52	0.00	-			
36	The Nizam Sugars Limited	(-)6.09	(-)219.32	-	0.38	(-)218.94	-	0.85	(-)218.09	-			
37	Telangana State Water Resources Infrastructure Development Corporation Limited	(-)0.09	0.83	-	(-)0.62	0.20	-	(-)0.19	0.68	-			
38	T-Works Foundation	(-)0.22	0.05	-	(-)1.55	(-)1.50	-	0.82	(-)0.68	-			
39	Wehub Foundation	1.33	0.95	-	(-)3.37	(-)6.65	-	(-)2.66	(-)9.31	-			
	Sub-Total (B)	(-)1,594.32	(-)11,466.88	-	(-)3,008.88	(-)17,031.59	-	(-)2,988.22	(-)17,335.86	-			
	Grand Total (A+B)	(-)6,275.71	(-)24,650.73	-	(-)8,978.89	(-)36,020.98	-	(-)2,109.42	(-)35,008.30	-			

Appendix 5.5

Statement showing Return on Capital Employed of PSUs as on 31st March 2022
(Reference to paragraph 5.9.1.2, page 150)

(Figure in crore Columns 3,4,6,7,9 and 10 are in ₹ crore)

Sl. No.	Sector & Name of the PSUs	Year								
		2019-20			2020-21			2021-22		
		EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)
Power Sector										
1	Northern Power Distribution Company of Telangana Limited	(-)489.57	(-)3,748.74	13.06	(-)1,745.65	(-)425.66	410.10	773.45	(-)1,465.59	(-)52.77
2	Southern Power Distribution Company of Telangana Limited	(-)3,970.95	(-)7,703.93	51.54	(-)2,717.14	(-)5,844.04	46.49	1,926.87	(-)7,853.78	(-)24.53
3	Telangana Power Finance Corporation Limited	0.00	3,008.15	0.00	0.00	2,924.00	0.00	0.00	2,766.20	0.00
4	Telangana State Power Generation Corporation Limited	2,477.14	23,539.76	10.52	2,990.02	26,465.95	11.30	3,648.18	30,247.74	12.06
5	Telangana State Renewable Energy Development Corporation Limited	1.89	(-)1.26	(-)150.00	3.46	3.96	87.37	2.58	5.72	45.10
6	The Singareni Collieries Company Limited	4,061.85	12,199.98	33.29	1,705.89	12,137.80	14.05	3,097.19	12,989.03	23.84
7	Transmission Corporation of Telangana Limited	1,340.72	9,670.81	13.86	1,301.29	10,967.78	11.86	1,175.61	12,114.22	9.70
	Sub-Total (A)	3,421.08	36,964.77	9.25	1,537.87	46,229.79	3.33	10,623.88	48,803.54	21.77

Sl. No.	Sector & Name of the PSUs	Year									
		2019-20			2020-21			2021-22			
		EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	
Non-Power Sector											
8	Bio Tech Hub Limited	0.00	0.00	-	0.00	0.01	0.00	(-0.01)	0.00	-	
9	Damodhara Minerals Private Limited	(-0.01)	(-0.07)	14.29	(-0.01)	(-0.08)	12.50	(-0.01)	(-0.08)	12.50	
10	Hyderabad Airport Metro Limited	(-0.79)	(-0.41)	192.68	(-0.01)	(-0.42)	2.14	(-0.01)	(-0.43)	1.16	
11	Hyderabad Growth Corridor Limited	0.03	(-0.33)	(-0.90)	0.03	(-0.31)	(-0.91)	0.04	(-0.27)	(-1.22)	
12	Hyderabad Metro Rail Limited	(-168.65)	313.82	(-53.74)	(-67.03)	261.72	(-25.61)	(-73.09)	351.26	(-20.81)	
13	Hyderabad Road Development Corporation Limited	2.11	0.37	570.27	1.02	1.39	73.38	9.25	10.64	86.94	
14	Musi Riverfront Development Corporation Limited	0.00	1.00	0.00	0.00	1.00	0.00	0.00	1.00	0.00	
15	Photonics Valley Corporation	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	
16	Telangana Fiber Grid Corporation Limited	(-3.16)	(-4.63)	68.25	12.42	97.52	12.74	43.82	571.84	7.66	
17	Telangana Industrial Health Clinic Limited	(-1.53)	8.13	(-18.82)	(-0.71)	7.42	(-9.57)	(-0.08)	6.62	(-1.21)	
18	Telangana Life Sciences Infrastructure Development Limited	0.00	0.01	0.00	(-0.02)	(-0.01)	200.00	(-0.03)	(-0.05)	60.00	
19	Telangana Rajiv Swagruha Corporation Limited	(-4.60)	(-507.05)	0.91	(-66.26)	(-541.34)	12.24	(-324.23)	(-865.57)	37.46	
20	Telangana Rythu Bandhu Samithi	(-0.21)	2.04	(-10.29)	(-1.23)	1.77	(-69.49)	(-0.04)	1.73	(-2.31)	

Sl. No.	Sector & Name of the PSUs	Year											
		2019-20				2020-21				2021-22			
		EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)
21	Telangana State Mineral Development Corporation Limited	49.60	117.62	42.17	56.39	160.56	35.12	55.96	201.37	27.79			
22	Telangana State Aviation Corporation Limited	0.00	0.05	0.00	0.00	0.05	0.00	0.00	0.05	0.00			
23	Telangana State Civil Supplies Corporation Limited	1,327.74	99.89	1,329.20	1,623.39	104.09	1,559.60	2,102.90	96.83	2,171.74			
24	Telangana State Film Development Corporation Limited	(-)0.35	(-)0.45	77.78	0.14	(-)0.31	(-)45.16	(-)0.45	13.51	(-)3.33			
25	Telangana State Forest Development Corporation Limited	55.46	259.84	21.34	57.22	296.12	19.32	43.23	324.19	13.33			
26	Telangana State Horticulture Development Corporation Limited	84.53	488.66	17.30	61.76	312.36	19.77	43.50	136.55	31.86			
27	Telangana State Housing Corporation Limited	(-)506.94	1,960.13	(-)25.86	(-)24.24	4,718.31	(-)0.51	(-)802.23	9,369.62	(-)8.56			
28	Telangana State Minorities Finance Corporation	3.06	(-)6.12	(-)50.00	5.53	(-)0.59	(-)937.29	(-)4.36	(-)4.95	88.08			
29	Telangana State Most Backward Classes Development Corporation	0.29	0.35	82.00	0.61	0.80	76.25	2.71	3.52	76.99			
30	Telangana State Police Housing Corporation Limited	(-)0.41	428.76	(-)0.10	(-)1.52	360.29	(-)0.42	0.07	293.83	0.02			
31	Telangana State Road Transport Corporation	(-)808.45	(-)1,910.98	42.31	(-)2,109.78	(-)4,201.66	50.21	(-)1,753.91	(-)4,763.87	36.82			
32	Telangana State Seeds Development Corporation Limited	1.84	4.24	43.40	2.77	31.37	8.83	1.01	6.10	16.56			

Sl. No.	Sector & Name of the PSUs	Year									
		2019-20				2020-21				2021-22	
		EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	EBIT	ROCE (in %)
33	Telangana State Technology Services Limited	30.90	58.59	52.74	14.12	68.75	20.54	13.31	77.93		17.08
34	Telangana State Warehousing Corporation	77.72	297.24	26.15	119.34	370.31	32.23	109.37	436.33		25.07
35	Telangana Water Resource Development Corporation Limited	(-)0.25	0.20	(-)125.00	(-)0.19	0.02	(-)950.00	(-)0.52	0.00		0.00
36	The Nizam Sugars Limited	0.75	(-)163.37	(-)0.46	0.38	(-)162.99	(-)0.23	0.85	(-)162.14		(-)0.52
37	Telangana State Water Resources Infrastructure Development Corporation Limited	(-)0.09	9,565.20	0.00	(-)0.62	11,810.02	(-)0.01	(-)0.19	14,689.51		0.00
38	T-works Foundation	(-)0.22	0.05	(-)440.00	(-)1.55	0.50	(-)310.00	0.82	17.56		4.67
39	Wehub Foundation	1.33	4.81	27.65	(-)3.37	(-)0.53	635.85	(-)2.66	(-)2.69		98.88
	Sub-Total (B)	139.70	11,014.60	1.27	(-)321.42	13,693.14	(-)2.35	(-)534.98	20,806.95		(-)2.57
	Grand Total (A+B)	3,560.78	47,979.37	7.42	1,216.45	59,922.93	2.03	10,088.91	69,610.49		14.49

Appendix 5.6

Rate of Real Return on Investment on historical cost basis

(Reference to paragraph 5.9.1.3 (a), page 151)

(₹ 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	1,356.71	490.85	46,258.15	(-)5,831.07	(-)12.61
2019-20	51,160.76	1,452.82	490.85	53,104.43	(-)4,681.39	(-)8.82
2020-21	56,824.10	1,519.68	517.85	58,861.63	(-)5,970.01	(-)10.14
2021-22	58,251.62	1,521.50	517.85	60,290.97	878.80	1.46
Non-Power Sector						
2014-15	1,818.41	0.00	0.90	1,819.31	(-)357.77	(-)19.67
2015-16	3,349.35	0.21	2.77	3,352.33	(-)482.82	(-)14.40
2016-17	6,658.71	2,262.83	239.26	9,160.80	(-)844.77	(-)9.22
2017-18	9,985.99	4,235.26	239.26	14,460.51	(-)979.02	(-)6.77
2018-19	15,173.10	6,799.02	239.77	22,211.89	(-)1,316.92	(-)5.93
2019-20	18,999.77	11,663.60	239.91	30,903.28	(-)1,594.32	(-)5.16
2020-21	22,365.22	11,674.67	465.10	34,504.99	(-)3,008.88	(-)8.72
2021-22	25,787.27	19,340.93	465.10	45,593.30	(-)2,988.22	(-)6.55
Total						
2014-15	13,134.74	858.73	82.66	14,076.13	(-)2,263.15	(-)16.08
2015-16	19,155.35	900.73	178.53	20,234.61	(-)2,802.59	(-)13.85
2016-17	29,144.59	3,195.90	502.29	32,842.78	(-)6,253.17	(-)19.04
2017-18	42,067.53	5,232.88	679.66	47,980.07	(-)4,905.83	(-)10.22
2018-19	59,583.69	8,155.73	730.62	68,470.04	(-)7,147.99	(-)10.44
2019-20	70,160.53	13,116.42	730.76	84,007.71	(-)6,275.71	(-)7.47
2020-21	79,189.32	13,194.35	982.95	93,366.62	(-)8,978.89	(-)9.62
2021-22	84,038.89	20,862.43	982.95	1,05,884.27	(-)2,109.42	(-)1.99

Appendix 5.7
Rate of Real Return on the basis of the Present Value of Investment
(Reference to paragraph 5.9.1.3 (b), page 152)

(₹ 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 the PV of Investment
		Equity	Interest free loans	Subsidies/Grants							Total
1	2	3	4	5	7 = (2+6)	8	9 = (7*8)/100	10 = (7+9)	11	12
Power Sector										
2014-15	0.00	8,625.20	0.00	3,631.62	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	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	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	7.21	2,726.32	40,539.32	(-3,926.81)	(-9.69)
2018-19	40,539.32	7,276.83	0.00	5,461.76	12,738.59	6.94	3,697.49	56,975.40	(-5,831.07)	(-10.23)
2019-20	56,975.40	2,000.00	0.00	4,846.28	6,846.28	6.70	4,276.05	68,097.73	(-4,681.39)	(-6.87)
2020-21	68,097.73	1.95	0.00	5,755.25	5,757.20	6.60	4,874.43	78,729.35	(-5,970.01)	(-7.58)
2021-22	78,729.35	0.00	0.00	1,429.34	1,429.34	6.39	5,122.14	85,280.83	878.80	1.03
Non Power Sector										
2014-15	0.00	34.81	1,765.38	19.12	1,819.31	7.00	127.35	1,946.66	(-357.77)	(-18.38)
2015-16	1,946.66	200.68	232.21	1,100.13	1,533.02	8.50	295.77	3,775.45	(-482.82)	(-12.79)

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 the PV of Investment
		Equity	Interest free loans	Subsidies/Grants							Total
1	2	3	4	5	7 = (2+6)	8	9 = (7*8)/100	10 = (7+9)	11	12
2016-17	3,775.45	-102.18	233.07	5,677.58	5,808.47	7.40	709.21	10,293.14	(-)844.77	(-)8.21
2017-18	10,293.14	5.56	130.00	5,164.15	5,299.71	7.21	1,124.24	16,717.09	(-)979.02	(-)5.86
2018-19	16,717.09	6.59	808.11	6,936.68	7,751.38	6.94	1,698.11	26,166.58	(-)1,316.92	(-)5.03
2019-20	26,166.58	507.24	250.00	7,934.15	8,691.39	6.70	2,335.48	37,193.46	(-)1,594.32	(-)4.29
2020-21	37,193.46	0.03	290.29	3,311.39	3,601.71	6.60	2,692.48	43,487.65	(-)3,008.88	(-)6.92
2021-22	43,487.65	539.92	262.44	10,285.95	11,088.31	6.39	3,487.40	58,063.36	(-)2,988.22	(-)5.15
Total										
2014-15	0.00	8,660.01	1,765.38	3,650.74	14,076.13	7.00	985.33	15,061.46	(-)2,263.15	(-)15.03
2015-16	15,061.46	724.27	232.21	5,202.00	6,158.48	8.50	1,803.69	23,023.63	(-)2,802.59	(-)12.17
2016-17	23,023.63	2,160.43	233.07	10,214.67	12,608.17	7.40	2,636.75	38,268.56	(-)6,253.17	(-)16.34
2017-18	38,268.56	5,350.01	130.00	9,657.28	15,137.29	7.21	3,850.56	57,256.41	(-)4,905.83	(-)8.57
2018-19	57,256.41	7,283.42	808.11	12,398.44	20,489.97	6.94	5,395.60	83,141.98	(-)7,147.99	(-)8.60
2019-20	83,141.98	2,507.24	250.00	12,780.43	15,537.67	6.70	6,611.54	1,05,291.18	(-)6,275.71	(-)5.96
2020-21	1,05,291.18	1.98	290.29	9,066.64	9,358.91	6.60	7,566.91	1,22,217.00	(-)8,978.89	(-)7.35
2021-22	1,22,217.00	539.92	262.44	11,715.29	12,517.65	6.39	8,609.54	1,43,344.19	(-)2,109.42	(-)1.47
Total		27,227.28	3,971.50	74,685.49	1,05,884.27					

Appendix 5.8

Statement showing list of PSUs where Statutory Auditor's Report was revised
(Reference to paragraph 5.14.2, page 156)

Sl. No.	Name of the PSU	Year of Accounts
Non-Power Sector PSUs		
1	Telangana State Industrial Development Corporation Limited	2014-15
2	Photonics Valley Corporation Limited	2016-17
3	Photonics Valley Corporation Limited	2017-18
4	Hyderabad Pharma City Limited	2018-19
5	Photonics Valley Corporation Limited	2018-19
6	Telangana State Forest Development Corporation Limited	2018-19
7	Telangana Fiber Grid Corporation Limited	2019-20
8	Telangana State Seeds Development Corporation Limited	2019-20
9	Telangana State Water Resources Infrastructure Development Corporation Limited	2019-20
10	Telangana State Horticulture Development Corporation Limited	2020-21

Appendix 5.9

Statement showing list of PSUs where accounts comments were issued by the CAG
(Reference to paragraph 5.14.3, page 156)

Sl. No.	Name of the PSU	Year of Accounts
Power Sector PSUs		
1	Northern Power Distribution Company of Telangana Limited	2020-21
2	Southern Power Distribution Company of Telangana Limited	2020-21
3	Transmission Corporation of Telangana Limited	2020-21
4	Telangana State Power Generation Corporation Limited	2020-21
5	Northern Power Distribution Company of Telangana Limited	2021-22
6	Southern Power Distribution Company of Telangana Limited	2021-22
Non-Power Sector PSUs		
7	Telangana State Tourism Development Corporation Limited	2015-16
8	Fab City (India) Private Limited	2017-18
9	Hyderabad Growth Corridor Limited	2017-18
10	Maheswaram Science Park Limited	2017-18
11	Telangana Most Backward Classes development Corporation	2017-18
12	Telangana Drinking Water Supply Corporation Limited	2018-19
13	Telangana Most Backward Classes development Corporation	2018-19
14	Kaleshwaram Irrigation Project Corporation Limited	2019-20
15	Telangana Rythu Bandhu Samithi	2019-20

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 159)*

Sl. No.	Name of the PSU	Year of Accounts	Number of Accounting Standard/ Ind AS
Power Sector PSUs			
1	Telangana State Renewable Energy Development Corporation Limited	2018-19	AS-2
2	Northern Power Distribution Company of Telangana Limited	2020-21	AS-10, AS-13, AS-16 and AS-28
3	Southern Power Distribution Company of Telangana Limited	2020-21	AS-10, AS-12 and AS-13
4	Transmission Corporation of Telangana Limited	2020-21	Ind AS-08, Ind AS-12 and Ind AS-109
5	Northern Power Distribution Company of Telangana Limited	2021-22	AS-10, AS-13, AS-16 and AS-28
6	Southern Power Distribution Company of Telangana Limited	2021-22	AS-10, AS-12 and AS-13
Non-Power Sector PSUs			
7	Telangana Fibre Grid Corporation Limited	2019-20	AS 1

Appendix 5.11**Statement showing list of PSUs where Management Letters were issued***(Reference to paragraph 5.16, page 160)*

Sl. No.	Name of the Company	Year of Account
Power Sector PSUs		
1	Southern Power Distribution Company of Telangana Limited	2020-21
2	Northern Power Distribution Company of Telangana Limited	2020-21
3	Transmission Corporation of Telangana Limited	2020-21
4	Telangana State Power Generation Corporation Limited	2020-21
5	The Singareni Collieries Company Limited	2020-21
Non-Power Sector PSUs		
6	Telangana State Tourism Development Corporation Limited	2015-16
7	Hyderabad Growth Corridor Limited	2017-18
8	Maheswaram Science Park Limited	2017-18
9	Telangana Most Backward Classes development Corporation	2017-18
10	Telangana Most Backward Classes development Corporation	2018-19
11	Kaleshwaram Irrigation Project Corporation Limited	2019-20
12	Telangana Fiber Grid Corporation Limited	2019-20
13	Telangana State Irrigation Development Corporation Limited	2019-20
14	Telangana State Seeds Development Corporation Limited	2019-20

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