

Report of the Comptroller and Auditor General of India

State Finances Audit Report for the year ended 31 March 2023



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



Government of Telangana Report No. 3 of 2024

Report of the Comptroller and Auditor General of India

State Finances Audit Report for the year ended 31 March 2023

Government of Telangana

Report No. 3 of 2024

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Preface

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

Chapter I of this Report contains the basis, approach and 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 II and **III** 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 2023. Information has been obtained from Government of Telangana, wherever necessary.

Chapter IV 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 V 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

About the Report

This Report of the CAG of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.

Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 15.09 *per cent* from ₹8,57,427 crore in 2018-19 to ₹13,13,391 crore in 2022-23.

There was 16 *per cent* growth in GSDP over 2021-22. Revenue Receipts (RR) increased considerably by 25 *per cent* over previous year. The growth rate of RR decreased by one *percentage* point when compared to previous year 2021-22. The ratio of Revenue Receipts to GSDP increased by one *percentage* point from 11 *per cent* in 2021-22 to 12 *per cent* in 2022-23. State's Own Tax Revenue (SoTR), which decreased marginally in 2020-21 due to Covid-19 pandemic, has increased significantly in 2021-22 and continued considerable growth in 2022-23 also. It has increased significantly by 17 *per cent* (₹15,678 crore) over previous year. Total Expenditure (consisting of mainly Revenue Expenditure, Capital Expenditure and Loans and Advances) of Telangana increased by 50 *per cent* from ₹1,28,435 crore in 2018-19 to ₹1,92,535 crore in 2022-23 and by 11 *per cent* over preceding year. The State registered a Revenue Surplus (₹5,944 crore) after three years. Effectively, Revenue Surplus is only ₹1,680 crore as mentioned in the succeeding paragraph. The target for Fiscal Deficit was 5 *per cent* of the GSDP. The State registered a Fiscal Deficit of ₹32,556 crore (2.48 *per cent* of GSDP), which is under the permissible limit, after two years.

Receipt-Expenditure Mismatch

The State has different sources of receipts *viz.*, (i) Revenue Receipts consisting of State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants-in-aid and transfers from the Union Government and (ii) Capital Receipts consisting of Debt and Non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, etc.).

Revenue Receipts (RR) grew from ₹1,01,420 crore in 2018-19 to ₹1,59,350 crore in 2022-23. Capital Receipts decreased from ₹46,686 crore in previous year to ₹33,185 crore in 2022-23. Grants-in-Aid (₹13,179 crore) from Government of India increased by ₹4,560 crore (53 per cent) over previous year. Grants for Centrally Sponsored Schemes (CSS) (₹5,387 crore, 41 per cent of GIA) and Compensation for loss of revenue arising out of

implementation of GST (₹4,061 crore, 31 *per cent* of GIA) formed the major portion of the GIA. 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. In the past five years, Revenue Expenditure grew from ₹97,083 crore in 2018-19 to ₹1,53,406 crore in 2022-23. During the current year, the share of Revenue Expenditure was 80 *per cent* of the total expenditure and grew marginally over previous year (79 *per cent*). It consistently made a significant portion (76 to 82 *per cent*) of the total expenditure during this period.

Result of expenditure beyond means

The gap between the Revenue Receipt and Revenue expenditure results in either Revenue Surplus or Revenue Deficit. As per Accounts, the State registered a Revenue Surplus (₹5,944 crore) after three years. However, this Revenue Surplus was over-stated by ₹4,264 crore due to (i) Non-contribution to Consolidated Sinking Fund (₹1,536 crore) (ii) transfer of ₹1,400 crore Loans given earlier and kept in Deposit Account of Government Account as Non-Tax Revenue; (iii) Non-contribution to Guarantee Redemption Fund (₹951 crore); (iv) non-discharge of interest liabilities (₹131 crore); (v) short contribution to Defined Contributory Pension Fund Deposit Account (₹114 crore) and others. Effectively, there was a Revenue Surplus of only ₹1,680 crore.

The share of Capital Expenditure (excluding Loans and Advances) (₹17,881 crore, 9 *per cent*) in Total Expenditure was least during the past five years. Under Irrigation, Palamuru-Ranga Reddy (₹12,937 crore) and Kaleshwaram Project (₹11,370 crore) accounted for major Capital Expenditure during the past five years. As of March 2023, there were 20 incomplete irrigation projects (commenced between 1983 to 2018), on which an expenditure of ₹1,73,564 crore was incurred. The cost of these projects increased from ₹1,02,388 crore to ₹2,06,977 crore.

The gap between the total expenditure and total non-debt receipts of the State results in Fiscal Deficit. The target for Fiscal Deficit was 5 per cent of the GSDP. The State registered a Fiscal Deficit of ₹32,556 crore (2.48 per cent of GSDP), which is under the permissible limit, after two years. However, the limit was increased from 4 per cent to 5 per cent through an amendment (March 2022) to State FRBM Act. The Fiscal Deficit was understated by ₹2,749 crore due to (i) Non-contribution to Consolidated Sinking Fund (₹1,536 crore) (ii) Non-contribution to Guarantee Redemption Fund (₹951 crore); (iii) non-discharge of interest liabilities (₹131 crore); (iv) short contribution to Defined Contributory Pension Fund Deposit Account (₹114 crore) and others. Effectively, the Fiscal Deficit was ₹35,305 crore.

The Committed expenditure of the State Government on revenue account consists of expenditure towards interest payments, expenditure on salaries and wages and pensions. It has the first charge on the Government expenditure. As a *percentage* of Revenue Receipts (RR), the committed expenditure accounted for 46 *per cent* in 2022-23 and was least during the past five years, thus giving scope for more non-committed expenditure like welfare and development activities. Committed expenditure constituted about 47 *per cent* of Revenue Expenditure (RE).

There are also certain items of inflexible expenditure which cannot be ordinarily altered or are statutorily required on an annual basis, unlike variable transactions such as capital expenditure, etc. Inflexible Expenditure ranged from 02 to 07 *per cent* of RR and 03 to 05 *per cent* of RE and decreased by one *percentage* point when compared to previous year. Total Committed and Inflexible Expenditure constituted 51 *per cent* of the RE.

Subsidies

Subsidies as a percentage to Revenue Receipts and Revenue Expenditure decreased marginally during the current year. Assistance to Transmission Corporation of Telangana Ltd. for Agricultural and allied Subsidy (₹7,665 crore) alone covers 80 *per cent* of the subsidies.

Loans and Advances

Loans and Advances given by Government during the year were huge at ₹21,248 crore and increased by more than 150 *per cent* over previous year. The share of Loans and Advances (11 *per cent*) in the Total Expenditure was highest during the past five years.

Though loans provided to entities and recoverable by State Government, as of March 2023 stood at ₹72,998 crore, majority of them were towards repayment of Off-Budget Borrowings taken through entities like Kaleshwaram Irrigation Project Corporation Limited, and Telangana Drinking Water Supply Corporation Limited. Government has also provided Loans to entities which do not have definite stream of revenue resources like Telangana Scheduled Castes Co-operative Development Corporation Limited, Telangana Scheduled Tribes Cooperative Finance Corporation Limited and Arogyasree Health Care Trust. Such loans do not reflect the true picture of Government assets as Loans recoverable. Therefore, the recovery of Loans continued to be very poor.

Off-budget borrowings

The Government did not disclose the quantum or details of its Off-Budget Borrowings (OBB) in the Budget documents. Audit assessed the OBB to be around 1,18,629 crore. The State Government has also facilitated 1,7,829 crore as further loans to Entities *i.e.*, 8,696 crore towards interest payment, 3,531 crore towards principal repayment and crore without any details whether it is interest payment or principal repayment in 2022-23 which are relatable to OBB.

Contingent Liabilities on account of Guarantees

Value of Guarantees given by the State Government as per Finance Accounts was ₹1,98,244 crore. The Government did not disclose Guarantees given to Telangana State Civil Supplies Corporation (₹50,000 crore) and Telangana State Seeds Development Corporation Limited (₹398 crore). The disclosure in respect of TS DISCOMs was short by ₹16,000 crore. Documentation regarding the risk assessment in respect of Guarantees given was not provided. Even the Guarantees which should have been classified as direct 100 *per cent* liability were being classified as medium to very low risk.

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 debt obligations and the capacity to maintain balance between costs of additional borrowings, with returns from such borrowings. Debt sustainability analysis has been carried out based on fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets.

FRBM requirements and compliance with fiscal parameters

The TSFRBM Act prescribes fiscal targets for giving effect to the fiscal management objectives in terms of Revenue Surplus / Revenue Deficit, Fiscal Deficit as a *percentage* of GSDP, Total outstanding liabilities as a *percentage* of GSDP. As per Accounts, the State registered a Revenue Surplus (₹5,944 crore) after three years. The target for Fiscal Deficit was 5 *per cent* of the GSDP. The State registered a Fiscal Deficit of ₹32,556 crore (2.48 *per cent* of GSDP), which is under the permissible limit, after two years. As per Medium Term Fiscal Policy Statement, the target set out for ratio of total outstanding liabilities to GSDP was 25 *per cent*. The ratio of total outstanding liabilities (₹3,49,537 crore) to GSDP achieved by State was 26.61 *per cent*. The State failed to achieve the target of 25 *per cent* for a third consecutive year.

Including Off-Budget Borrowings (OBB), the limit prescribed by the Fifteenth Finance Commission (XV FC) is 29.70 per cent of the GSDP. Considering OBB of ₹1,18,629 crore, this ratio would be 35.64 per cent, i.e., 5.94 per cent above the limit prescribed by XV FC.

As per the debt stabilisation analysis, the growth rate of outstanding Public Debt ranged between 12 *per cent* to 19 *per cent* over the past five years. This year, the growth rate decreased to 12 *per cent* when compared to the preceding year (17 *per cent*). The ratio of outstanding Public Debt to GSDP which was increasing year after year until 2020-21, shown a decreasing trend in the last two years. It was 24.63 *per cent* in 2020-21and decreased to 23.04 *per cent* in 2022-23.

In terms of Domar model, the State always had a Primary Deficit during 2018-2023. Except Covid—19 year (2020-21), the Domar gap remained positive during this period indicating the Public Debt would converge to a stable level. However, during 2021-2023 a substantial portion (80 to 84 *per cent*) of Public Debt receipts were used for repayment of loans taken earlier implying that economic growth is not robust enough to service Debt. Further, other factors such as Public Account liabilities, Off-Budget Borrowings and any other uninventoried losses of revenue have to be reckoned which make the debt sustainability of the State unstable.

Overall review of Debt Sustainability suggests that the net Public Debt available to the State Government would be negative after considering out go on servicing of Off-Budget Borrowings. This may put significant pressure on the State finances and may push the debt sustainability of the State to an undesirable level. Further, substantial portion of market borrowings were utilised for providing Loans and Advances to PSUs/SPVs/ABs for servicing (principal and interest) of Off-Budget Borrowings. This is not healthy practice from the perspective of Debt Sustainability.

Telangana Haritha Nidhi

A new fund Telangana Haritha Nidhi was constituted last year, outside the Government Accounts with mandatory contributions from people's representatives, Government servants and other voluntary contributions.

Single Nodal Agency

State Government will designate a Single Nodal Agency (SNA) for implementing each CSS. In respect of Telangana State, 77 CSS with 127 SNA accounts have been designated and corresponding accounts have been opened in the Banks. As informed by the State Government / SNAs, five CSS with five SNA accounts had nil balances, ₹2,170 crore was lying in commercial banks in the other 72 CSS as of March 2023.

Budget performance

Aggregate Budget outturn

Aggregate Budget Outturn measures the extent to which the Aggregate Budget Expenditure Outturn/ actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved. In Revenue section, deviation in outturn compared with Budget Estimates (BE) was (-) 14 per cent. This was due to deviation between 0 and +/- 25 per cent in 17 Grants; between +/- 25 per cent to +/- 50 per cent in 10 Grants. In Capital section, deviation in outturn compared with BE was (-) 39 per cent. This was due to deviation between 0 and +/- 25 per cent in 2 Grants; between +/- 25 per cent to +/-50 per cent in 9 Grants; between +/-50 per cent and +/-100 per cent in 13 Grants; and equal to or more than 100 per cent in 4 Grants. In Loans section, deviation in outturn compared with BE was (-) 12 per cent. This was due to deviation between 0 and +/- 25 per cent in 8 Grants; between +/-50 per cent and +/-100 per cent in 3 Grants; and equal to or more than 100 per cent in 6 Grants.

Expenditure Composition outturn

Expenditure composition outturn measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. In Revenue section, deviation in outturn compared with Revised Estimates (RE) was (-) 19 per cent. This was due to deviation between 0 and +/- 25 per cent in 15 Grants; between +/- 25 per cent and +/-50 per cent in 13 Grants; between +/-50 per cent and +/-100 per cent in 9 Grants. In Capital section, deviation in outturn compared with RE was (-) 48 per cent. This was due to deviation between 0 and +/- 25 per cent in 3 Grants; between +/- 25 per cent and +/- 50 per cent in 9 Grants; between +/-50 per cent and +/-100 per cent in 13 Grants; and equal to or more than 100 per cent in 3 Grants.

Other deficiencies in budgetary management

Excess expenditure

During the year, an amount of ₹1,05,565 crore was incurred as excess expenditure. The State Government also failed to get the excess expenditure of ₹2,89,115 crore over and above the allocation, pertaining to the years 2014-15 to 2021-22, regularised by State Legislature. This is in violation of Article 204 of the Constitution.

Incurring expenditure without budget provisions not only continued this year also but has increased significantly as Government has spent ₹8,985 crore in 48 Sub-Heads without budget provision. The Government failed to obtain the approval of the Legislature despite incurring expenditure of ₹7,061 crore towards taking over losses of DISCOMs under UDAY. The Government also did not to obtain the approval of the Legislature for investment made in Telangana State Road Development Corporation (₹122 crore).

For the past five years, expenditure on account of Service Pensions allocable between Andhra Pradesh and Telangana was being estimated nominally below ₹50 crore, whereas the actual expenditure was more than ₹1,000 crore during each of the past five years. Similarly, expenditure on interest on State Development Loans was being under estimated persistently.

Non-Tax Revenue (NTR)

An amount of ₹25,422 crore was estimated to be received through Non-Tax Revenue (NTR) for 2022-23. The receipts were ₹19,554 crore. Even out of this, (i) ₹5,723 crore through 'Other Receipts' was mainly on account of lapsing of Deposit Accounts and, (ii) ₹5,003 crore through Royalty on Major Minerals due to arrears as well as advance payment of royalty by Singareni Collieries Company Limited, which was not expected.

Within NTR, the Government had estimated ₹15,500 crore to be received from Sale of Land and Property, where as it has received only ₹791 crore. The projections of receipts from NTR in Budget Estimates were on higher side persistently during the last three years.

Grants-in-Aid

The State Government estimated a huge amount of ₹41,002 crore as Grants-in-Aid (GIA) from Government of India. It has received only ₹13,179 crore. The State Government unrealistically projected ₹25,555 crore to be received as Special Package and Additional Central Assistance, which neither was found in GoI Budget proposals, nor was it received during 2022-23. Like NTR, the projections of receipts from GIA in Budget Estimates were on higher side persistently during the last two years.

Other Receipts

Even in Revised Estimates, presented in February 2023, huge receipts (₹7,500 crore) as Inter State settlement were estimated, which were not actually realised. The amount estimated was pertaining to electricity dues receivable by Telangana Power Companies from Andhra Pradesh Power Companies and not by State Government.

Provisions totally unspent

Huge allocations made in the current year remained totally unspent in respect of Construction of Two Bed Room Houses (₹11,000 crore), Assistance to Sheep and Goat Development Cooperative Federation Limited (₹1,000 crore), and Oil Palm cultivation (₹1,000 crore).

Provisions largely unspent

Huge portions of allocation on flagship schemes like Telangana Dalit Bandhu (Unspent provision: ₹15,700 crore), Scheme for debt relief to farmers (Unspent provision: ₹3,964 crore) remained unspent.

Misclassifications in accounts

Misclassifications of expenditure in respect of surgical consumables, minor works on afforestation etc., under Capital (₹140 crore) and purchase of machinery, equipment, motor vehicles, tools and plants under Revenue (₹25 crore) continued in the current year also.

Quality of Accounts and Financial Reporting

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.

Discharge of interest liability

Government did not discharge its interest liability of ₹131 crore over the funds lying in State Disaster Response Fund (₹53 crore), State Compensatory Afforestation Fund (₹47 crore), State Disaster Mitigation Fund (₹9 crore) and Defined Contribution Pension Scheme Deposits (₹22 crore) during the year. It also did not discharge interest liability ₹469 crore during the past five years.

Operation of Omnibus minor head 800

An amount of ₹6,560 crore was classified under Omnibus Minor Head 800 – Other Receipts with Description of Sub-Head and Detailed Heads also as Other Receipts/Other items and Other Receipts/Other items/Others respectively, thus, making it difficult to identify either the source or the nature of the receipt.

Operation of Personal Deposit Accounts

There were 131 Personal Deposit Accounts having a balance of ₹150 crore as of March 2023. During 2022-23, ₹2,008 crore was transferred from the Consolidated Fund of the State to these Accounts which was significantly increased by 230 *per cent* over previous year (₹608 crore). Steep increase in transfer from Consolidated Fund to PD Accounts could be avoiding of lapse of budget during the year. There were neither receipts nor payments in 71 PD Accounts, indicating their non-operation during 2022-23. Out of these 71 PD Accounts, 46 PD Accounts were not active last year as well. These in-operative PD Accounts may be reviewed and closed.

DC Bills against AC Bills

As of March 2023, there were 321 Abstract Contingent (AC) Bills worth ₹191 crore for which Detailed Contingent Bills were awaited. There was a decrease in volume of unadjusted AC bills though value of unadjusted AC bills has increased when compared to 31 March last year (496 bills worth ₹159 crore).

Reconciliation

Out of the 58 Controlling Officers who were to reconcile Receipts with Principal Accountant General (Accounts and Entitlements), 29 have not reconciled and 9 reconciled partially. Out of the 196 Controlling Officers who were to reconcile expenditure, 25 have not reconciled and 86 reconciled partially.

Submission of Annual Accounts

There were 29 Autonomous Bodies which did not submit their Annual Accounts in time. There were delays ranging from one to sixteen years in submission of Accounts. Delayed submission of Annual Accounts by Autonomous Bodies dilutes accountability of the Government entities.

Compliance with IGAS

The State Government was yet to comply with Indian Government Accounting Standards.

Working of State Public Sector Undertakings

As on 31 March 2023, there were 83 State Public Sector Undertakings (SPSUs) in Telangana including 77 Government Companies (16 companies inactive either defunct or under liquidation), three Statutory Corporations and three Government Controlled Other Companies under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Out of the 83 SPSUs, 8 SPSUs relate to the Power sector and 75 relate to sectors other than power.

Audit noticed that the prescribed timelines regarding submission of Financial Statements were not adhered to by 55 SPSUs whose 196 accounts were in arrears. Out of the total profit of ₹3,857.48 crore earned by 6 working SPSUs, 98.76 *per cent* was contributed by three SPSUs only. One SPSU had reported nil profit or loss. Out of total loss of ₹11,969.66 crore incurred by 11 working SPSUs, loss of ₹11,898.57 crore was incurred by three SPSUs. The financial impact of CAG's comments issued during October 2022 to September 2023 on financial statements of SPSUs was ₹757.21 crore on profitability and ₹31,989.68 crore on the financial position.

The State Government may insist upon the management of SPSUs to ensure timely submission of their financial statements. In the absence of finalised accounts, Government investments in such SPSUs remain outside the oversight of the State Legislature. The State Government may analyse the reasons for losses in loss making SPSUs and initiate steps to make their operations efficient and profitable. The State Government may also review the inactive Government Companies and take appropriate decisions on their revival/winding up.

Chapter I Overview

Chapter I Overview

1.1 Introduction

Telangana state was formed on the 02 June 2014. Telangana is ranked 12th in the country in terms of population (350.04 Lakh as per the 2011 Census) and ranked 11th in terms of area (1,12,077 Sq. Km). The State re-organised 10 districts into 33 districts¹, 459 mandals into 612 mandals along with re-organisation of districts and from time to time after that, and 8,368 Gram Panchayats into 12,769 Gram Panchayats². Agriculture and allied sectors employ nearly 45.8 *per cent* of the population indicating that majority in the State are dependent on Agriculture related activities.

General and financial data relating to Telangana is given in *Appendix 1.1*.

1.1.1 Gross State Domestic Product of Telangana

Gross Domestic Product (GDP) is the value of all goods and services produced within the boundaries of the Country in a specific period. Gross State Domestic Product (GSDP) refers to the same parameter of a State. Growth of GDP or GSDP is an important economic indicator denoting the level of economic development over a period. Changes in sectoral contribution to the GDP/GSDP represent the changing structure of the Country's/State's economy.

The Gross Value Added (GVA) of any unit (sector, sub-sector, firm, etc.) measures the contribution of that unit to the overall output of a country. It is calculated by subtracting the value of all intermediate goods and services from the total value of units' output. This is done to remove any 'double counting'. Gross State Value Added (GSVA) refers the same parameters of a particular State.

While GDP include taxes and subsidies and GVA ignores their impact. Hence, GVA is used for economic analysis by GoI and international organisations like International Monetary Fund and World Bank. From a policymaker's perspective it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and making policy interventions.

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 citizens³.

Trends in annual growth of Gross Domestic Product (GDP)⁴, GVA and Per Capita Income of the country *vis-à-vis* GSDP⁵, GSVA and Per Capita Income of State are given in the following table.

October 2016 and February 2019

² Telangana Panchayat Raj Act, 2018 (May 2018) and amendments from time to time

³ As per Socio Economic Outlook 2022 (prepared by Directorate of Economics and Statistics)

Gross Domestic Product is adopted at current prices throughout this Report

⁵ Gross State Domestic Product is adopted at current prices throughout this Report

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

	2018-19	2019-20 (TRE)	2020-21 (SRE)	2021-22 (FRE)	2022-23 (AE)
GDP (2011-12 Series) (₹ in crore)	1,88,99,668	2,01,03,593	1,98,29,927	2,34,71,012	2,72,40,712
Growth rate of GDP over previous year (in <i>per cent</i>)	10.59	6.37	(-)1.36	18.36	16.06
GVA at basic prices (₹ in crore)	1,71,75,128	1,83,81,117	1,81,88,780	2,14,38,883	2,47,42,871
Growth rate of GVA over previous year (in <i>per cent</i>)	10.77	7.02	(-)1.05	17.87	15.41
Per Capita GDP of the Country (₹)	1,42,424	1,49,915	1,46,301	1,71,498	1,96,983
GSDP (2011-12 Series) (₹ in crore)	8,57,427	9,50,090	9,42,814	11,28,907	13,13,391
Growth rate of GSDP over previous year (in <i>per cent</i>)	14.32	10.81	(-)0.77	19.74	16.34
GSVA at basic prices (₹ in crore)	7,76,946	8,69,773	8,68,689	10,33,322	12,14,122
Growth rate of GSVA over previous year (in <i>per cent</i>)	14.23	11.95	(-)0.12	18.95	17.50
Per Capita GSDP of Telangana (₹)	2,31,156	2,54,402	2,50,755	2,98,526	3,45,638
Percentage of GSDP of Telangana to GDP of the country	4.54	4.72	4.75	4.81	4.82

Source of data: Ministry of Statistics and Programme Implementation

TRE: Third Revised Estimates; SRE: Second Revised Estimates; FRE: First Revised Estimates;

AE - Advanced Estimates

It can be seen from the above that the growth rate of the State has been higher than growth rate of GDP of the country all along during the past five years. Further, the share of GSDP in GDP has been continuously increasing during the past five years from 4.54 *per cent* to 4.82 *per cent* indicating positive growth of the State's economy. Similarly, the growth rate of GSVA has also been higher than that of GVA.

The Per Capita GSDP of Telangana at current prices was ₹3,45,638⁶ in 2022-23, which was 1.75 times of all India average of ₹1,96,983⁷.

The GSDP generated from economic activities is generally classified into Primary⁸, Secondary⁹ and Tertiary¹⁰ Sectors, broadly corresponding to Agriculture, Industry and Services respectively. The sectoral contribution to GDP and GSDP of the State during 2022-23 are given in *Charts 1.1* and *1.2*.

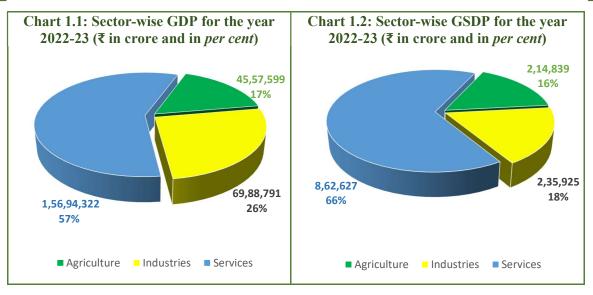
⁶ measured in terms of Per Capita Net State Domestic Product, Source: Ministry of Statistics and Programme Implementation as on 01 August 2023

measured in terms of average Per Capita Income as on 01 September 2023

⁸ Primary Sector includes Crops, Livestock, Forestry and Logging, Fishing and Aquaculture and Mining and Quarrying

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

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



Source: Data of Ministry of Statistics and Programme Implementation

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

It can be noted that the share of Agriculture sector in GSDP was comparable to that of GDP during 2022-23. However, while Industries contributed more to GDP, the Services sector contributed more to GSDP of Telangana. In any case more than half is contributed by Services Sector for both GDP and GSDP.

- Under Agriculture sector, the major share to GSDP was from 'Crops' (₹1,05,134 crore) closely followed by 'Livestock' (₹96,344 crore) contributing 8.00 per cent and 7.34 per cent to GSDP respectively.
- Under Industries sector, like previous year, major share came from 'Manufacturing' (₹1,37,869 crore), which was 10.50 *per cent* of the GSDP.
- In respect of Services sector, like previous year, the major share to GSDP was from Real Estate, ownership of dwellings and professional services' (₹2,74,233 crore) with 20.88 per cent followed by 'Trade and repair services' (₹2,00,908 crore) with 15.30 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 from 2018-19 to 2022-23 is shown in *Chart 1.3*.

65 65 70 63 60 50 in per cent 40 30 21 19 19 19 18 20 19 16 16 16 10 13 0 2018-19 2019-20 2020-21 2021-22 2022-23 Agriculture = Industries Services

Chart 1.3: Changes in sectoral contribution to GSDP from 2018-19 to 2022-23

Source: Data of Ministry of Statistics and Programme Implementation

Share of Services sector has all along been around 65 *per cent* except during the Covid-19 period (2019-20 and 2020-21), when its share marginally decreased. During the Covid-19 period the contribution of Agriculture has been at its highest. The contribution from Industries sector has been around 19 *per cent* during the past four years.

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

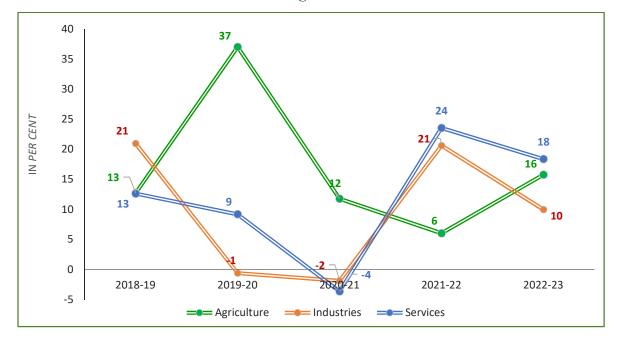


Chart 1.4: Sectoral growth rates in GSDP

Source: Data of Ministry of Statistics and Programme Implementation

Growth rates of Industries sector, which had shown a negative growth rate during the Covid-19 period (2019-20 and 2020-21), significantly grew in 2021-22, but declined in 2022-23, and was still at 10 *per cent* positive growth rate. Agriculture sector which grew sharply in 2019-20 has declined to 6 *per cent* in 2021-22 but grew at a higher growth rate

of 16 *per cent* during the current year. The Services sector has decreased by 6 *per cent* during the current year when compared to previous year due to lower growth rates in 'service incidental to transport' and 'storage'.

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 2023 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 2022-23 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, as amended from time to time;
- 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 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.

A pictorial depiction of the structure of Government Accounts is given in *Chart 1.5*.

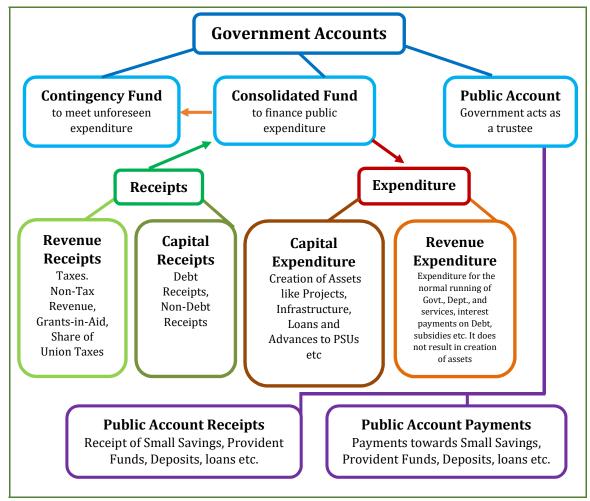


Chart 1.5: Structure of Government Accounts

Source: Finance Accounts

Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, Share of Union Taxes/ Duties, and grants from Government of India (GoI).

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.

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 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.

Public Debt comprises market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by Central Government etc. For this purpose, the Major Heads 6003 and 6004 - Public Debt are taken into consideration.

Public Account consists of transactions relating to 'Small Savings, Provident Fund, etc.', 'Reserve Funds' and 'Deposit and Advances' on which the Government has a liability to repay the moneys received or has a claim to recover the amounts paid. Major Heads 8001 to 8554 are taken into consideration. Transactions relating to 'Remittances' and 'Suspense' under Public Account, includes merely adjusting heads such as transactions as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, 'Public Liability' has been taken to include the transactions under major heads 8001 to 8554 relating to 'Small Savings, Provident Fund, etc.', 'Reserve Funds' and 'Deposit and Advances' along with the transactions under Major Heads 6003 and 6004.

1.3.1 Accounting classification system in the Government

The accounting classification system in the Government is both functional and economic, as detailed below. The functional classification helps to identify the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as Revenue, Capital, Debt, etc.

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

Table 1.2: Accounting classification framework

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*.

1.4 Budgetary Process

There is a Constitutional requirement in India (Article 202) that the Governor causes to be laid 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 in the form of Annual Financial Statement. This 'Annual Financial Statement' constitutes the main Budget document. Further, the Budget must distinguish expenditure on the revenue account from other expenditures.

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 III*.

1.5 Snapshot of Finances

Table 1.3 provides the details of actual financial results vis-à-vis Budget Estimates (BE) for the year 2022-23 in comparison to actuals for the year 2021-22. Time series data of Government Finances for the years 2018-23 are given in **Appendix 1.2**.

Table 1.3: Snapshot of Finances

Sl. No.	Components	2021-22 Actuals (₹ in crore)	2022-23 Budget Estimates (BE) (₹ in crore)	2022-23 Actuals (₹ in crore)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	Tax Revenue					
	(i) Own Tax Revenue	91,271	1,08,212	1,06,949	98.83	8.14
	(ii) Share of Union taxes/duties ^(a)	18,721	18,393	19,668	106.93	1.50
2	Non-Tax Revenue	8,858	25,422	19,554	76.92	1.49
3	Grants-in-Aid and Contributions	8,619	41,002	13,179	32.14	1.00
4	Revenue Receipts (1+2+3)	1,27,469	1,93,029	1,59,350	82.56	12.13
5	Recovery of Loans and Advances	48	60	629	1,048.33	
6	Other Receipts					
7	Borrowings and other Liabilities ^(b)	46,63811	52,167	32,556	62.41	2.48
8	Capital Receipts (5+6+7)	46,686	52,227	33,185	63.54	2.53
9	Total Receipts (4+8)	1,74,155	2,45,256	1,92,535	78.50	14.66
10	Revenue Expenditure	1,36,804	1,89,275	1,53,406	81.05	11.68
11	Interest payments in Revenue Expenditure	19,161	18,912	21,821	115.38	1.66
12	Capital Expenditure	28,874	29,728	17,881	60.15	1.36
13	Loan and advances	8,469	26,253	21,248	80.94	1.62
14	Inter-State Settlements	8	0	0		
15	Total Expenditure (10+12+13+14)	1,74,155	2,45,256	1,92,535	78.50	14.66
16	Revenue Surplus (+) / Deficit (-) (4-10)	(-)9,335	3,754	5,944	158.33	(-)0.45
17	Fiscal Deficit {(4+5+6)-15}	(-)46,638	(-)52,167	(-)32,556	62.41	2.48
18	Primary Deficit (17-11)	(-)27,477	(-)33,255	(-)10,735	32.28	0.82

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

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

- It can be seen from the above that the actual receipts in respect of Own Tax Revenue and Share of Union Taxes and duties are nearly comparable to Budget Estimates indicating that the estimates were realistic.
- Budget Estimate was considerably on higher side in respect of Non-Tax Revenue (NTR). Though the actual receipts from NTR were much higher than the previous year, they were still less than the Budget Estimates.
- Budget Estimates of Grants-in-Aid were more than four times higher than the previous year's actual receipts (refer to *Paragraph 3.2.2.2* for further details). Though the receipts under GIA from GoI were 53 *per cent* higher when compared to the previous year, they were only 32 *per cent* of the Budget Estimates due to excessive projection.
- The borrowings and other liabilities taken were also less by ₹19,611 crore when compared to Estimates.

Thus, the State could mobilise around only 79 per cent of Budget Estimates. Consequently, the State Government had to curtail its expenditure. Importantly, Capital Expenditure has gotten reduced by around 40 per cent of the Estimates. Both Revenue Expenditure and disbursement of Loans and Advances have gotten reduced by around 19 per cent each.

While the Revenue Receipts were less by ₹33,679 crore, the Revenue Expenditure was less by ₹35,869 crore resulting higher Revenue Surplus than that projected in the Budget Estimates. Despite higher Revenue Surplus, the Capital Expenditure has taken a dip due to lower borrowings and higher provision of Loans and Advances. The Fiscal Deficit was also lower when compared to previous year or the Budget Estimates.

1.6 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 1.4*.

Table 1.4: Summarised position of Assets and Liabilities

	Liabilities				Assets				
		2021-22 (₹ in crore)	2022-23 (₹ in crore)	per cent increase (+)/ decrease (-)			2021-22 (₹ in crore)	2022-23 (₹ in crore)	per cent increase (+)/ decrease (-)
Consolidated Fund									
A	Internal Debt	2,63,041	2,93,129	11.44	a	Gross Capital Expenditure	1,63,531	1,81,412	10.93
В	Loans and Advances from GoI	14,448*	16,434*	13.74	b	Loans and Advances	52,379	72,998	39.37
Co	ntingency Fund	50	50	0			0.05	0.00	
Public Account									
A	Small Savings, Provident Funds, etc.	12,912	14,962	15.88	a	Advances	(-)23	(-)23	0
В	Deposits	27,424	28,373	3.46	b	Remittance			
С	Reserve Funds	11,762	12,188	3.62	С	Suspense and Miscellaneous			
D	Remittances	723	257	(-)64.45	Cash Balance (including investment in Earmarked Fund)		8,095	10,919	34.89
Е	Suspense and Miscellaneous Balances	1,018	1,365	34.09	То	tal	2,23,982	2,65,305	18.45
						eficit in Revenue ecount	1,07,396	1,01,452	(-)5.54
Gra	and Total	3,31,378	3,66,758	10.68	Gr	and Total	3,31,378	3,66,758	10.68

Source: Finance Accounts

There is an overall decrease of ₹5,944 crore (6 per cent) in Revenue Account deficit. The Government assets are 27 per cent less than Government's liabilities.

1.7 Fiscal Balance: Achievement of Deficit and total Debt targets

When a Government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture Government deficit.

Deficits are financed by borrowing giving rise to Government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the Government continues to borrow year after year, it leads to the accumulation of debt and the Government must pay more and more by way of interest. These interest payments themselves contribute to the debt.

^{*} includes ₹6,949 crore of back-to-back loans from GoI in lieu of GST compensation shortfall, which need not be repaid from out of the resources of the State Government

By borrowing, the Government entails the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people but pay off the bonds later by raising taxes or reducing expenditure. Also, Government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if Government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both Government and industry can borrow more. Also, if the Government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management (FRBM) Act with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium-term framework. In this context, the Act provides quantitative targets to be adhered by the State regarding deficit measures and debt level.

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 and 2022. The Act prescribes fiscal targets for giving effect to the fiscal management objectives.

1.7.1 TSFRBM targets on key fiscal parameters and achievement thereon

Targets relating to key fiscal parameters as per TSFRBM Act during the five-year period 2018-19 to 2022-23 and their achievement is shown in *Table 1.5*.

Table 1.5: Compliance with the provisions of Fiscal Responsibility and Budget Management Act

Fiscal Parameters	Fiscal targets set in the	Achievement					
Fiscal Farameters	Act	2018-19	2019-20	2020-21	2021-22	2022-23	
Revenue Deficit (-) /	Revenue Surplus to be	4,337	(-)6,254	(-)22,298	(-)9,335	5,944	
Surplus (+) (₹ in crore)	achieved during each year	>	X	X	X	✓	
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	For 2018-19:3.25 per cent For 2019-20: 3.25 per cent + ₹1,435 crore* For 2020-21: 4.75 per		(-)3.19 per cent) + ₹1,435 crore	(-)5.20 per cent	(-)4.13 per cent	(-)2.48 per cent	
	cent [#] For 2021-22: 4 per cent For 2022-23: 5 per cent [@]	✓	✓	X	X	✓	
Ratio of Total		22.97	24.44	29.24 ¹²	27.87 ¹³	26.6114	
Outstanding Liabilities to GSDP (in <i>per cent</i>)	25 per cent	√	√	X	X	X	

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 01 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)
- [®] In view of the extra borrowing space allowed by XV Finance Commission, the State made an amendment (March 2022) to TS FRBM Act increasing the Fiscal Deficit target to five per cent of the GSDP for the year 2022-23

As per Finance Accounts, the State was able to register a Revenue Surplus after a gap of three years. After a gap of two years, the State was also able to contain the Fiscal Deficit within the amended target of five *per cent*. However, it failed to achieve the target in respect of Outstanding Liabilities for a third consecutive year.

The achievement or otherwise of the above targets are to be understood in the context of certain audit observations made in this Report at different places, the summary of which is discussed at the end of this Chapter (*Paragraph 1.8*).

¹² excludes ₹2.380 crore back-to-back loans received from GoI in lieu of GST compensation shortfall

¹³ excludes ₹6,949 crore of back-to-back loans received from GoI in lieu of GST compensation shortfall

 $^{^{14}}$ excludes \gtrless 6,949 crore of back-to-back loans received from GoI in lieu of GST compensation shortfall

1.7.2 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 2023), in which the rolling targets for three years were mentioned. The achievement of these rolling targets was mentioned in *Table 1.5*.

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.

1.7.3 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*.

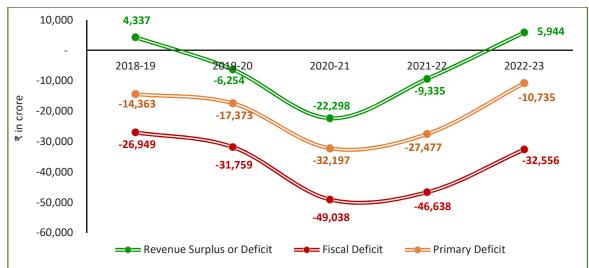


Chart 1.6: Trends of Surplus / Deficit parameters

Source: Finance Accounts of last five years

After having Revenue Deficit for three years continuously, the State registered a Revenue Surplus during 2022-23. Fiscal Deficit and Primary Deficit which were at the lowest dip in 2020-21 during the past five-year period continued to show an improvement for a second consecutive year. A similar trend can be seen in respect of Surplus or Deficit parameters relative to GSDP as in *Chart 1.7* below.

0.51 1.00 0.45 0.00 2018-19 2020-21 2022-23 2019-20 2021-22 -1.00 -0.66 0.82 -0.83 in per cent -2.00 -1.68 -1.83 -2.37 -2.43 -3.00 -3.14 -3.34 -3.41 -4.00 4.13 -5.00 -5.20 -6.00 = Revenue Surplus or Deficit/GSDP ■ Fiscal Deficit/GSDP === Primary Deficit/GSDP

Chart 1.7: Surplus / Deficit parameters relative to GSDP

Source: Finance Accounts

The trend of fiscal liabilities during the five-year period 2018-19 to 2022-23 is shown in *Chart 1.8*.

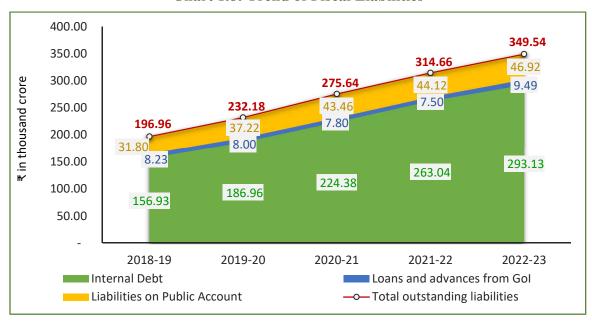


Chart 1.8: Trend of Fiscal Liabilities

Source: Finance Accounts

Note: The figures of Loans and Advances from GoI and Total Outstanding Liabilities in 2020-21, 2021-22 and 2022-23 do not include back-to-back loans in lieu of GST compensation shortfall.

Total Outstanding Liabilities have increased by 77 per cent from 2018-19 to 2022-23. Contributing to the increase in Internal Debt (87 per cent) and Liabilities on Public Account (48 per cent). Loans and Advances from Government of India have increased by 15 per cent during the same time.

1.8 **Deficits and Total Debt after examination in Audit**

As per the FRBM Act, the State Government must ensure compliance to the targets fixed for the fiscal indicators such as deficits' ceiling on debt and on guarantees, etc. The Revenue Deficit and the Fiscal deficit as worked out for the State gets impacted due to various circumstances such as misclassification of revenue expenditure as capital expenditure and vice-versa as also due to off budget fiscal operations, deferment of liabilities, non-deposit of mandatory amounts to National Pensions System (NPS), etc. These have been brought out in the State Finances Audit Reports of the Comptroller and Auditor General of India for the previous years 15. To arrive at actual deficit figures for the current year, the impact has been re-computed as detailed in Table 1.6.

Table 1.6: Revenue and Fiscal Deficits after examination in Audit

Particulars	Impact on Revenue Surplus (Understated (+) / overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)	Para Reference
Transfer from Loans given and kept in Deposit Accounts to Revenue head ¹⁶	(-)1,400		Box 2.1 of Paragraph 2.4.1.1(ii)
Short Contribution to Defined Contributory Pension Fund Deposit Account	(-)114	114	2.5.2.3
Non-contribution to Consolidated Sinking Fund	(-)1,536	1,536	2.6.2.1
Non-transfer of Guarantee Commission to Guarantee Redemption Fund	(-)17	17	2.6.2.3
Non-contribution to Guarantee Redemption Fund	(-)951	951	2.6.2.3
Non-discharge of Interest liabilities ¹⁷	(-)131	131	4.2
Misclassifications			
(i) Revenue classified as Capital ¹⁸	(-)140		3.4.9.1
(ii) Capital classified as Revenue ¹⁹	25		3.4.9.2
Total	(-)4,264	2,749	

Source: Finance Accounts and audit analysis

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

¹⁶(i) ₹1,100 crore transferred from Deposit account of Telangana Scheduled Castes Development Corporation to Receipt head; and ₹300 crore transferred from Deposit account of Telangana Tribal Cooperative Finance Corporation to receipt head.

⁽i) Interest on State Disaster Response Fund at the rate applicable to overdraft (two per cent over Ways and Means interest rate): ₹53 crore; (ii) Interest on State Compensation Afforestation Fund at rate of 3.35 per cent fixed by Ministry of Environment, Forest & Climate Change (National Authority): ₹47 crore; (iii) Interest on State Disaster Mitigation Fund at the rate applicable to overdraft (two per cent over Ways and Means interest rate i.e., 7.49 per cent): ₹9 crore; (iv) Interest in Deposit Account of Defined Contribution Pension Scheme for Government Employees: ₹22 crore

⁽i) Minor Works (consisting of other expenditure, Maintenance, HTCC charges, etc.) treated as Capital Expenditure: ₹90 crore (ii) Purchase of surgical consumables treated as Capital Expenditure: ₹50 crore

⁽i) Purchase of Motor Vehicles: ₹6 crore; (ii) Purchase of Machinery and Equipment: ₹14 crore; (iii) Tools and Plants: ₹5 crore

As a result, the Revenue Surplus is overstated by ₹4,264 crore and Fiscal Deficits were understated by ₹2,749 crore.

Effectively, there was a Revenue Surplus of only ₹1,680 crore (₹5,944 crore - ₹4,264 crore) and Fiscal Deficit of ₹35,305 crore (₹32,556 crore + ₹2,749 crore). Therefore, the Fiscal Deficit would be 2.69 *per cent* of GSDP, which is still under the permissible limits.

Apart from its liabilities of ₹3,49,537 crore²⁰, the State Government is also liable to pay the principal and interest on account of its Off-Budget Borrowings (OBB) to an extent of ₹1,18,629 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 35.64 *per cent*, which is 10.64 *per cent* above the set target of 25 *per cent* as per the TSFRBM Act. This is also 5.94 *per cent* above the limit (29.70 *per cent*) prescribed by the XV Finance Commission.

excluding back-to-back loans of ₹6,949 crore in lieu of GST compensation to be serviced out of GST compensation Cess

Chapter II 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 2018-19 to 2022-23, 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 2021-22

A bird's eye view of major changes in key fiscal aggregates of the State during 2022-23, compared to the preceding year is given in the following Table:

Table 2.1: Changes in key Fiscal Aggregates in 2022-23 compared to 2021-22

Revenue Receipts	Revenue Receipts of the State increased by 25 per cent Own Tax receipts of the State increased by 17 per cent Own Non-tax receipts increased by 121 per cent State's Share of Union Taxes and Duties increased by 5 per cent Grants-in-Aid from Government of India increased by 53 per cent
Revenue Expenditure	Revenue Expenditure increased by 12 per cent Revenue Expenditure on General Services increased by 13 per cent Revenue Expenditure on Social Services increased by 8 per cent Revenue Expenditure on Economic Services increased by 17 per cent
Capital Receipts	Debt Capital Receipts decreased by 25 per cent Non-Debt Capital Receipts increased 1210 per cent
Capital Expenditure	Capital Expenditure decreased by 38 per cent Capital Expenditure on General Services increased by 26 per cent Capital Expenditure on Social Services decreased by 57 per cent Capital Expenditure on Economic Services decreased by 35 per cent
Loans and Advances	Disbursement of Loans and Advances increased by 150 per cent Recoveries of Loans and Advances increased by 1210 per cent
Public Debt	Public Debt Receipts increased by 7 per cent Repayment of Public Debt increased by 25 per cent
Public Account	Public Account Receipts increased by 11 per cent Disbursement of Public Account increased by 10 per cent
Cash Balance	Cash Balance increased by ₹2,824 crore (35 <i>per cent</i>) during 2022-23 compared to previous year

- Revenue Receipts increased significantly. All components of Revenue Receipts showed an increase.
- Revenue Expenditure has also increased. However, Revenue Receipts increased at a higher rate than Revenue Expenditure. Thus, the State registered a Revenue Surplus this year.
- Capital Expenditure decreased significantly, mainly in the Social and Economic sector services.

• Public Debt or Borrowings increased marginally. Loans and Advances provided by State Government have increase substantially.

These aspects are further discussed in the subsequent paragraphs.

2.3 Sources and Application of Funds

Comparison of the components of the sources and application of funds of the State during 2022-23 with those of the preceding year is shown in the following Table:

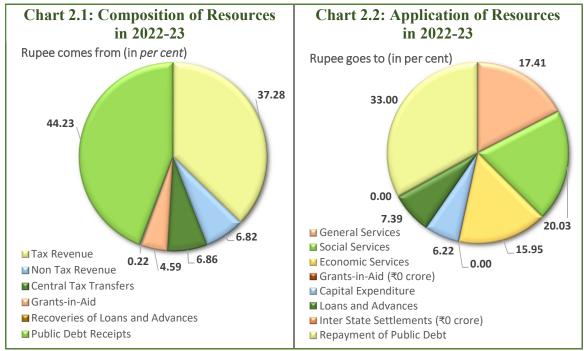
Table 2.2: Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)

	Particulars	2021-22	2022-23	Increase (+) / Decrease (-)
	Opening Cash Balance with Reserve Bank of India#	9,193	8,095	(-)1,098
	Revenue Receipts	1,27,469	1,59,350	31,881
Sources	Recoveries of Loans and Advances	48	629	581
	Public Debt Receipts (Net)	42,935	32,074	(-)10,861
	Public Account Receipts (Net)	2,605	3,306	702
	Total	1,82,250	2,03,454	21,205
	Revenue Expenditure	1,36,804	1,53,406	16,603
	Capital Expenditure	28,874	17,881	(-)10,993
A 12 42	Disbursement of Loans and Advances	8,469	21,248	12,779
Application	Inter-State Settlement	8	0	(-)8
	Net Contingency Fund	0.05	0	(-)0.05
	Closing Cash Balance with Reserve Bank of India#	8,095	10,919	2,824
	Total	1,82,250	2,03,454	21,205

Source: Finance Accounts

The composition of State's resources and application of those resources pertaining to Consolidated Fund in terms of *percentages* is presented in the following charts:



^{*} Cash balance with Reserve Bank of India includes cash balance investments and investments in earmarked funds

The State Government substantially resorted to Public Debt (44 *per* cent) for its resources. However, the share of Public Debt in resources was lower than previous year (48 *per cent*). For a second consecutive year the share of Public Debt Receipts has decreased.

The share of Tax Revenue which was around 30 *per cent* in the Covid-19 Pandemic year of 2020-21 has increased considerably to 37 *per cent* during 2021-22 and further increased marginally in 2022-23 by 0.26 *percentage* points. The share of Non-Tax Revenue nearly doubled during the current year when compared to previous year. The share of Central Tax transfers has decreased slightly. The share of Grants-in-Aid has increased by one *percentage* point.

However, State's dependency on Public Debt is impacting the application of resources mobilized as nearly 33 *per cent* of the resources were utilised for repayment of Public Debt, which has consumed highest share in the application of resources. This was three *percentage* points higher than the previous year. The share of General and Economic services almost remained the same, while that of social services decreased by one *percentage* point. There is a decrease in the share of Capital Expenditure. Loans and Advances disbursed increased by more than four *percentage* points.

2.4 Resources of the State

The following chart depicts the composition of resources of the State during 2022-23.

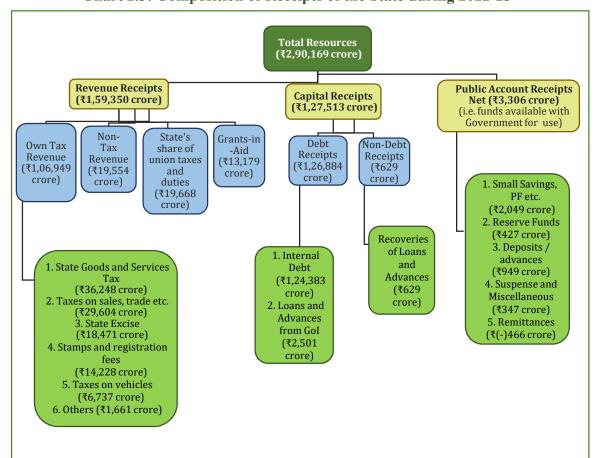


Chart 2.3: Composition of Receipts of the State during 2022-23

Revenue Receipts constituted nearly 55 per cent of the total resources. Share of Capital Receipts is 44 per cent. Net Public Account Receipts formed the remaining 01 per cent. State's Own Receipts (₹1,26,503 crore) comprising Own Tax Revenue and Non-Tax Revenue constituted 79 per cent of Revenue Receipts.

2.4.1 Revenue Receipts

/ Rate of growth of GSDP in *per cent*)

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 (GSDP) during the five-year period 2018-23 are shown below:

2018-19 2019-20 2022-23 2020-21 2021-22 **Parameters** Revenue Receipts (₹ in crore) 1,01,420 1,02,544 1,00,914 1,27,469 1,59,350 Growth rate of Revenue Receipts (per cent) 14 (-)226 25 Own Tax Revenue (₹ in crore) 64,674 67,597 66,650 91,271 1,06,949 Non-Tax Revenue (₹ in crore) 10,007 7,360 6,101 8,858 19,554 Grants-in-Aid (GIA) from Government of 11,599 8,178 15,471 8,619 13,179 India (₹ in crore) Total Own Revenue (₹ in crore) 74,681 74,957 72,751 1,00,129 1,26,503 Growth rate of Own Revenue (Own Tax and 0.37 (-)338 26 Non-Tax Revenue) (per cent) GSDP (₹ in crore) (2011-12 Series) 8,57,427 9,50,090 9,42,814 11,28,907 13,13,391 Growth rate of GSDP (per cent) 14 11 (-)120 16 Revenue Receipts / GSDP (per cent) 12 11 11 11 12 **Buoyancy Ratios** Revenue Buoyancy w.r.t GSDP (Rate of 1.56 growth of Revenue Receipts in per cent / 1.01 0.10 1.59 1.32 Rate of growth of GSDP in per cent) State's Own Revenue Buoyancy w.r.t. GSDP (Rate of growth of Own Revenue in per cent 1.15 0.03 2.94 1.88 1.65

Table 2.3: Trend in Revenue Receipts

Source: (i) Finance Accounts; (ii) for GSDP: Ministry of Statistics and Programme Implementation of respective years (figures as on 01 August 2023)

- The growth rate of Revenue Receipts decreased by one *percentage* point when compared to previous year 2021-22.
- The ratio of Revenue Receipts to GSDP increased by one *percentage* point.
- The Buoyancy ratio of both Revenue Receipts and Own Revenue registered more than '1' during 2022-23 indicating that they grew at a higher rate than the GSDP. Revenue Buoyancy ratio increased slightly in the current year over previous year, while State's Own Revenue Buoyancy ratio decreased marginally.
- Grants-in-Aid (GIA) from Government of India (GoI) increased by ₹4,560 crore (53 per cent) over previous year.

State's Revenue Receipts are generally categorized in four components viz., (i) Own Tax Revenue, (ii) Non-Tax Revenue, (iii) Share of Central Taxes transferred to State and (iv) Grants-in-Aid (GIA) received from Government of India. Increase in Revenue Receipts by 25 per cent, as mentioned in *Table 2.1*, was on account of increase in all the components

of Revenue Receipts viz., Own Tax Revenue (17 *per cent* increase), Non-Tax Revenue (121 *per cent* increase), State's share of Union Taxes and Duties (05 *per cent* increase) and Grants-in-Aid (53 *per cent* increase).

The trend of these components for the period 2018-23 is given in the following chart:

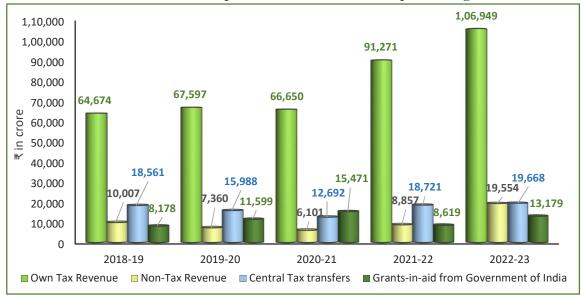


Chart 2.4: Trend of composition of Revenue Receipts during 2018-23

Source: Finance Accounts of the years concerned

State's Own Tax Revenue, which decreased marginally in 2020-21 due to Covid-19 pandemic, has increased significantly in 2021-22 and continued considerable growth in 2022-23 also. Tax Revenue increased on account of increase in receipts from (i) State Goods and Services Tax, (ii) Taxes on Sales, Trade, etc. (iii) Stamps and Registration, (iv) Taxes on Vehicles, and (v) State Excise.

There is a sharp increase in Non-Tax Revenue. Non-Tax Revenue increased due to increase in receipts from (i) Miscellaneous General Services, (ii) Non-ferrous Mining and Metallurgical Industries, (iii) Forestry and Wildlife, (iv) Crop Husbandry, (v) Interest Receipts, and (vi) Major Irrigation.

There is a marginal increase in the Central Tax transfers while the Grants-in-Aid from Government of India were considerably higher during the year.

Receipts from Own Tax Revenue is the only component which showed continuous growth, except for the year 2020-21, and is the most dependable source of income to the State. All the other components have shown an uneven trend.

2.4.1.1 State's own resources

State's share in Central taxes is determined based on recommendations of the Finance Commission and Grants-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) include State Goods and Services Tax, Taxes on Sales, Trade etc., State Excise, Taxes on vehicles, Stamp Duty and Registration Fees, Land Revenue, Taxes on Goods and Passengers, etc.

During 2022-23, State's Own Tax Revenue (₹1,06,949 crore) constituted 67 per cent of total Revenue Receipts (₹1,59,350 crore). Own Tax Revenue has increased significantly by 17 per cent (₹15,678 crore) over previous year. Like previous year, OTR as a percentage to Gross State Domestic Product stands at 8 per cent in 2022-23.

During the current year, major contributors of Own Tax Revenue were State Goods and Services Tax (34 per cent), Taxes on Sales, Trades etc., (28 per cent), State Excise (17 per cent) and Stamps and Registration (13 per cent). Component wise details of State's Own Tax Revenue during 2018-23 are detailed below:

Table 2.4: Components of State's Own Tax Revenue

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
State Goods and Services Tax	23,840	23,517	22,190	28,917	36,248	
Taxes on Sales, Trade, etc.	20,291	20,674	20,904	26,974	29,604	
State Excise	10,638	11,992	14,370	17,482	18,471	
Stamps Duty and Registration fees	5,344	6,671	5,243	12,373	14,228	
Taxes on Vehicles	3,762	3,935	3,338	4,381	6,737	
Taxes on goods and passengers	189	62	19	8	27	1
Land Revenue	0.42	1	1	0.26	0.27	
Other Taxes	610	745	585	1,136	1,634	
Total	64,674	67,597	66,650	91,271	1,06,949	

Source: Finance Accounts of the years concerned

- Receipts from State Goods and Services Tax (SGST), which marginally decreased in 2020-21 due to Covid-19 Pandemic, showed strong recovery and increased by 30 *per cent* and 25 *per cent* in 2021-22 and 2022-23 respectively.
- Receipts from Taxes on Sales, Trade etc., which were nearly stagnant during the first three years of the period from 2018-19 to 2020-21, also grew considerably by 29 per cent in 2021-22 and decently by 10 per cent in 2022-23.
- Receipts from State Excise have been consistently growing, year-on-year, even during the Covid-19 pandemic. In 2022-23, receipts from State Excise grew by six *per cent* when compared to last year. This was mainly due to (i) increase (₹1,864 crore) in receipts from 'Foreign Liquors and spirits' on account of increase in volume of liquor and beer sales and (ii) increase (₹492 crore) in receipts from 'Malt Liquor'.

- Taxes on Vehicles, Stamp duty and Registration Fees which decreased in 2020-21, have increased in 2021-22 and 2022-23.
- A similar slump and recovery can be seen in receipts from Taxes on goods and passengers and Other Taxes. It increased due to increase under 'tax on entry on goods into local areas (₹20 crore)' and under 'Luxury Tax (₹21 crore)' respectively.
- Land Revenue remained almost the same as that of the previous year.
- In other taxes, receipts increased from (i) Taxes on consumption and sale of electricity (₹338 crore) and (ii) Taxes on Professions, Trades, Callings and Employment (₹135 crore).

(ii) Non-Tax Revenue

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

During 2022-23, State's own Non-Tax Revenue (₹19,554 crore) constituted 12 *per cent* of total Revenue Receipts (₹1,59,350 crore). NTR increased significantly by ₹10,696 crore (121 *per cent*) in the current year when compared to the previous year.

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

(₹ in crore)

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	Sparkline
Interest Receipts	60	18	34	20	267	
Dividends and Profits	94	115	94	52	78	
Other Non-Tax Receipts	9,853	7,227	5,973	8,786	19,209	
(a) Major and Medium Irrigation	36	31	18	24	144	/
(b) Roads and Bridges	34	46	24	18	2)
(c) Urban development	9	21	7	93	9	
(d) Education	318	367	614	495	343	\
(e) Non-ferrous mining	4,647	3,487	3,457	2,296	7,494	
(f) Others or Miscellaneous	4,809	3,275	1,853	5,860	11,217	
Total	10,007	7,360	6,101	8,858	19,554	

Source: Finance Accounts of the years concerned

• Increase in Interest receipts was due to receipt of interest ₹247 crore from Telangana Transmission Corporation on account of Loans to Telangana TRANSCO for High Voltage Distribution System (HVDS). It is unusual that while the total outstanding Loan was ₹736 crore only, whereas interest received during the year was 34 per cent of the loan amount.

- Increase in dividend is due to increase in dividend from other investments in Co-operative Societies.
- The net increase in receipt of around ₹120 crore from Major and Medium irrigation was due to receipt of ₹144 crore classified as 'Other Receipts' at Minor head, Sub-Head, and Detailed head levels.
- A sharp increase is noticed in receipts from Non-ferrous mining and Metallurgical Industries from ₹2,296 crore in 2021-22 to ₹7,493 crore in 2022-23.
 - ▶ Under this, Mineral concession Fees, Rents and Royalties have registered a dip in the previous year 2021-22 to ₹1,582 crore from ₹2,751 crore in 2020-21 and ₹2,787 crore in 2019-20. This year the receipts under this head increased sharply to ₹6,553 crore. Out of this ₹4,818 crore was received in June 2022 alone. The Singareni Collieries Company Limited had informed that it had remitted (June 2022) ₹4,577 crore towards Royalty/Cess. This amount included Royalty of ₹5 crore pertaining to 2020-21, ₹1,750 crore pertaining to 2021-22, advance payment of ₹613 crore. Thus, the receipt of arrears and advance Royalties has resulted in an increase in the receipts under Non-ferrous mining.
 - ➤ Receipts under sale of Sand has increased from ₹714 crore in 2021-22 to ₹940 crore in 2022-23.
- The increase in Receipts from 'other Non-Tax Receipts' is due to increase in receipts under 'Miscellaneous General Services (₹5,875 crore)' which is mainly due to increase in 'Other Receipts (by ₹4,533 crore)' and in 'Sale of Land and property (by ₹1,361 crore)'.
 - Other receipts were ₹1,189 crore in 2021-22 which soared to ₹5,723 crore in 2022-23. However, in the absence of details, Audit could not make any analysis as to the nature of receipts which were accounted for as 'Other Receipts Other Receipts Other Receipts' under Minor head, Sub-Head, and Detailed head levels. Out of this, ₹5,562 crore was remitted by PAO, Hyderabad Urban under Miscellaneous General Services. Audit scrutiny revealed that it was due to lapsing of Deposits and crediting the same to Government Account as Revenue Receipts instead of as reduction of expenditure (refer to *Paragraphs 3.2.2.1* and 4.7).

The source and purpose of such huge receipts were not forthcoming from the accounts. Further, the Government also did not furnish any details in this regard despite being called for by audit. Huge receipts without proper classification affects transparency in the accounts.

Box 2.1: Loans provided lapsed as Revenue Receipts resulting in boosting of Revenue Surplus

Receipts from 'Other Receipts' included ₹1,100 crore and ₹300 crore lapsed from Deposit Accounts (in Public Account) pertaining to Telangana Scheduled Castes Cooperative Development Corporation Limited (TSCCDCL) and Telangana Scheduled Tribes Cooperative Finance Corporation Limited (TRICOR) respectively, which were earlier given to them as Loans. This is narrated hereunder:

State Government had provided Loans of ₹2,300 crore¹ to these institutions, for the implementation of Government subsidy schemes, in 2017-18 by crediting to their Deposit Accounts in Public Account. In the subsequent year, 2018-19, the same amounts were lapsed as per Government Orders from Deposit Account and credited to Government Account as Revenue Receipts instead of writing off the Loans. However, an amount of ₹2,400 crore² was advanced as Loans again in 2018-19 (*Box 1.1*, *Paragraph 1.3.1 of State Finances Audit Report for the year ended March 2019*). Thus, the total outstanding Loan receivable from these institutions in the Government Accounts was ₹4,700 crore³.

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

2017-18

Government provided loans of ₹1,500 crore and ₹800 crore to TSCCDCL and TRICOR and transfered to their Deposit Accounts. Loans outstanding from the entities: ₹2,300 crore



<u>2018-19</u>

The entire amount of ₹2,300 crore lying unutilised in the Deposit Accounts was lapsed by the Government and had taken as Non-Tax Revenue Receipts instead of reducing the Outstanding Loans. In the same year, Government again provided loans of ₹2,400 crore to TSCCDCL and TRICOR and transfered to Deposit Accounts of these intstitutions.

Loans outstanding from the entities:₹4,700 crore



2021-22

While the loans of ₹4,700 crore receivable from entities was still shown as outstanding as of March 2022, Government had again taken ₹1,000 crore (unspent balance and lapsed) to Revenue Receipts from Deposit Accounts instead of reducing outstanding Loans.



2022-23

While ₹4,700 crore loans receivable from entities was still shown as outstanding as of March 2023, Government has again taken ₹1,400 crore (unspent balance and lapsed) to Revenue Receipts from Deposit Accounts instead of reducing outstanding Loans.

Source: Finance Accounts of the years concerned

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

² To Telangana Scheduled Castes Cooperative Development Corporation Limited (₹1,500 crore), and Telangana Scheduled Tribes Cooperative Finance Corporation Limited (₹900 crore)

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

As per List of Major and Minor Heads⁴, adjustment of expenditure against Reserve Fund/ Deposit Accounts would be shown as a deduction under the minor head. Further, the State Financial Code⁵, *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.

Thus, incorrect classification of the above ₹1,400 crore as Non-Tax Revenue instead of as reduction of Loans resulted in overstatement of Revenue Receipts as well as outstanding loans i.e., assets to that extent.

Under 'Sale of Land and Property' the receipts were ₹4,069 crore in 2022-23 as against the ₹2,708 crore during 2021-22. This was due to huge increase in receipts under 'Sale proceedings of open plots / flats / Houses' from ₹49 crore in 2021-22 to ₹3,278 crore in 2022-23. However, the 'sale of land and property' (sub-head) decreased from ₹2,658 crore in 2021-22 to ₹791 crore in 2022-23.

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 2018-23 are shown in the following chart.

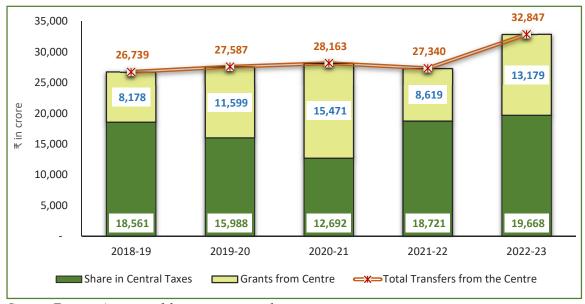


Chart 2.6: Trends in transfers from Government of India

Source: Finance Accounts of the years concerned

In the current year, both share in Central Taxes and Grants-in-Aid from Government of India have increased. Apart from this, further Grants-in-Aid are also being released directly by the Government of India to the implementing agencies instead of routing through Consolidated Fund of State (*refer to Paragraph 4.3 for details*). The tax devolution and Grants-in-Aid are discussed in the following paragraphs.

Paragraph 4.5 of General Directions

⁵ Paragraph 271 (iii) (4)

(i) Central Tax transfers

Fifteenth Finance Commission (XV FC) allocated 2.102 per cent of the total divisible pool of Union Taxes as *inter se* share to Telangana during the period 2021-26. Accordingly, XV FC assessed share of Telangana for the year as ₹15,400 crore⁶. However, the State has received an amount of ₹19,668 crore as share of Central Taxes, which was higher than projection in the XV FC Report, like previous year. This contrasts with earlier years *i.e.*, prior to 2021-22, when the State Government received lesser amounts than the projections in the Finance Commissions' Reports (FCR).

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 2018-23 are shown in the following Table:

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

(₹ in crore)

Year	Finance Commission Projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (=Col.4 - Col. 3)
2018-19	As per XIV FC	21,885	18,561	(-)3,324
2019-20		25,350	15,988	(-)9,362
2020-21		18,241	12,692	(-)5,549
2021-22	As per XV FC	13,844	18,721	(+)4,877
2022-23		15,400	19,668	(+)4,268

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

The component-wise Central Tax transfers to the State during 2018-23 are given below:

Table 2.7: Central Tax Transfers

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Central Goods and Services Tax (CGST)	4,581	4,537	3,715	5,573	5,640
Integrated Goods and Services Tax (IGST)	366				
Corporation Tax	6,454	5,451	3,865	4,649	6,399
Taxes on Income other than Corporation Tax	4,753	4,271	3,967	5,635	6,534
Customs	1,315	1,013	649	1,506	785
Union Excise Duties	874	705	422	899	246
Service Tax	172		63	438	31
Other Taxes ⁷	46	10	11	21	33
Central Tax transfers	18,561	15,988	12,692	18,721	19,668
Percentage of increase over previous year	13	(-)14	(-)21	48	5
Percentage of Central tax transfers to Revenue Receipts	18	16	13	15	12

Source: Finance Accounts of the years concerned

Though the Central Tax transfers increased by five *per cent* over the previous year, as a *percentage* of Revenue Receipts of the State, it's share heads decreased by three *percentage* points due to higher growth rate in other Components of Revenue Receipts.

6 2.102 per cent of the assessed divisible pool Union Taxes amount of ₹7,32,628 crore

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

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

The details of Grants-in-Aid (GIA) received from Government of India (GoI) during 2018-23 are detailed below:

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

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23
Grants for Centrally Sponsored Schemes	5,508	5,729	5,805	4,461	5,387
Finance Commission Grants	1,806	3,219	3,135	1,787	3,423
Other transfers/Grants to States	864	2,651	6,531	2,371	4,369
Total	8,178	11,599	15,471	8,619	13,179
Percentage of increase / decrease over previous year	1	42	33	(-)44	53
Percentage of Grants-in-Aid to Revenue Receipts	8	11	15	7	8

Source: Finance Accounts of the years concerned

Grants-in-Aid from GoI increased by ₹4,560 crore (53 per cent) in 2022-23 compared to the previous year. Share of GIA also increased by one percentage point. Grants for Centrally Sponsored Schemes (₹5,387 crore, 41 per cent of GIA) and Compensation for loss of revenue arising out of implementation of GST (₹4,061 crore, 31 per cent of GIA) formed the major portion of the GIA.

(a) Grants for Centrally Sponsored Schemes

Out of the GIA of ₹5,387 crore received for Centrally Sponsored Schemes during 2022-23, the major amounts were towards the following:

- Sarva Siksha Abhiyan: ₹1,143 crore;
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA): ₹1,089 crore;
- Integrated Child Development Services (ICDS): ₹754 crore;
- National Health Mission: ₹724 crore;
- Pradhan Mantri Gram Sadak Yojana (PMGSY): ₹321 crore;
- Post Matric Scholarships: ₹239 crore; and
- National Social Assistance Programme (NSAP): ₹216 crore.

(b) Single Nodal Agency Accounts

Department of Expenditure, Ministry of Finance, Government of India, issued guidelines⁸ for opening of Single Nodal Agency Account and monitoring the utilisation of funds 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. As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA's account along with corresponding State

⁸ F.No. 1(13) PFMS/FCD/2020 dated 23 March 2021

share. 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.

Accordingly, 77 CSS with 127 SNA accounts have been designated and corresponding accounts have been opened in the Banks in respect of Telangana State. The Government of India has provided an amount of ₹5,030 crore towards CSS during the year. The State Government, along with its share of ₹2,847 crore transferred the entire amount of ₹7,877 crore to the SNAs as Grants-in-Aid bills. Detailed vouchers and supporting documents of actual expenditure were not received by Principal Accountant General (Accounts and Entitlements) from the SNAs. As informed by the State Government / SNAs, five CSS with five SNA accounts had nil balances, ₹2,170 crore was lying in commercial banks in the other 72 CSS as of March 2023.

Further, Department of Expenditure, Ministry of Finance, Government of India, issued guidelines¹⁰ for interest accruing in the SNAs shall be classified and deposited under the standard Minor Head '801' − Interest or other earnings from Grantee on unspent balances below the concerned functional Major Head/Sub-major head in the Revenue Receipts. However, interest receipts amounting to ₹8 crore booked under the Major Head '0049-801 − Interest or other earnings from Grantee on unspent balances' resulting in overstatement of Interest Receipts of the State Government.

(c) Grants recommended by Fifteenth Finance Commission

Recommendations of the Fifteenth Finance Commission (XV FC) for the five-year period of 2021-22 to 2025-26 as well as for the year 2022-23 for Telangana and actual receipts during 2022-23 are shown below:

Table 2.9: Recommendations of the XV Finance Commission

(₹ in crore)

Sl.	Grant I	Recommended	Amount reco by XV		Actual Receipts	Difference
No.	Grant P	For i		For the year 2022-23	during 2022-23	Difference
(1)		(2)	(3)	(4)	(5)	(6) = (4)- (5)
1	Grants to Rural Lo	cal Bodies	7,201	1,415	2,097	
	(a) Performan	a) Performance/Tied Grants#		849	1,258	(-)682*
	(b) Untied Grants		2,880	566	839	
2	Grants to Urban Lo	ocal Bodies	3,682	697		
	(i) Performance/	Million-plus Cities	1,939	367		
	Tied Grant#	Non-Million Plus Cities	1,046	198	718	(-)21**
	(ii) General Basic/	Million-plus Cities	NA	NA		
	Untied Grant	Non-Million Plus Cities	697	132		
Total	Grants to Local boo	lies (1+2)	10,883	2,112	2,815	

⁹ Some CSS are having multiple State linked schemes

¹⁰ F.No. 1(13) PFMS/2022 dated 15 July 2022

Sl.	Crant Recommended		Amount reco by XV		Actual Receipts	Difference
No.			For five-year period 2021-26	For the year 2022-23	during 2022-23	Difference
(1)		(2)	(3)	(4)	(5)	(6) = (4)-(5)
3	State Disaster	Centre share	2,483	472	189	283
	Response Fund	State Share	827	157	63	NA
4	Health Grants		2,228	419	419	0
5	Grants for Critical	Care Hospitals	270	54	0	54
6	Grants for District integrated Public Health Indicators		27	6	0	6
7	Grants for Training of Allied Healthcare Workers		221	44	0	44
8	Grants for DNB co	urses	106	16	0	16
9	Grants for Higher l	Education	189	36	0	36
10	Agriculture Performance Incentive Grant to States		1,665	333	0	333
11	Grants for Maintenance of PMGSY Roads		255	47	0	47
12	Grants for Judiciary		245	49	0	49
13	Grants provided fo per district overall)	r Statistics (₹1.50 crore	46	31	0	31
14	State Specific Gran	nts	2,362	472	0	472

Source: XV Finance Commission Report and Finance Accounts

It can be noted from above that the State Government did not receive (i) ₹283 crore under SDRF, (ii) ₹616 crore Sector Specific Grants (items 5 to 13 above) and (iii) ₹472 crore State Specific Grants.

- Though the Government of India (GoI) has accepted the recommendation of the XV FC with regards to SDRF, it has released only ₹189 crore instead of ₹472 crore. Thus, there was a shortfall of ₹283 crore during the year.
- With respect to Sector Specific Grants, GoI in its explanatory memorandum has stated
 that it would give due consideration to sectors identified by the XV FC while
 formulating and implementing existing and new Centrally Sponsored and Central
 Sector Schemes.
- With regards to State Specific Grants, the GoI decided that due consideration would be given to the recommendation of the XV FC keeping in view the united resources with the State Governments and the fiscal commitments of the Central Government.

2.4.2 Capital Receipts

Capital Receipts comprise Public Debt Receipts from internal sources (Market Loans, Borrowings from Financial institutions / Commercial Banks), Loans and Advances from GoI, and miscellaneous Capital Receipts such as proceeds from Disinvestments, recoveries of Loans and Advances. The following table shows the trends in growth and composition of capital.

[#] For drinking water, rainwater harvesting, SWS and Sanitation, NA: Not Applicable

^{*} There was shortfall of equal amount i.e., ₹682 crore during the previous year

^{**} There was shortfall of ₹345 crore during the previous year

Table 2.10: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	22,312	29,855	39,653	42,983	32,702
Miscellaneous Capital Receipts					
Recovery of Loans and Advances	66	62	58	48	629
Net Public Debt Receipts#	22,246	29,793	39,595	42,935	32,073
Net Internal Debt	22,646	30,025	37,420	38,662	30,089
Growth rate of Net Internal Debt (per cent)	6	33	25	3	(-)22
Net Loans and Advances from GoI	(-)400	(-)232	2,175\$	4,273\$	1,984
Growth rate of Loans and Advances from GoI (per cent)	(-)279	(-)42	1,038	97	(-)54
Growth rate of debt Capital Receipts (per cent)	3	34	33	8	(-)25
Growth rate of non-debt Capital Receipts (per cent)	(-)52	(-)6	(-)6	(-)17	1,210
Growth rate of Gross State Domestic Product (per cent)	14	11	(-)1	20	16
Growth rate of Capital Receipts (per cent)	2	34	33	8	(-)24

Source: Finance Accounts; for Gross State Domestic Product: Ministry of Statistics and Programme Implementation (figures as on 01 August 2023)

The State Government has resorted to lesser borrowings during the year. Net Capital Receipts decreased by 24 *per cent* from ₹42,983 crore in the previous year to ₹32,702 crore in 2022-23. Net Internal Debt taken (₹30,089 crore) during the year is 22 *per cent* less than the previous year.

Public Debt receipts, consisting of borrowings taken from Market, Financial Institutions and Central Government, which create future repayment obligation, constituted major part of Capital Receipts (98.08 *per cent*). In the previous year, 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'. There was no such loan in 2022-23.

2.4.3 State's performance in mobilisation of resources

The Own Tax Revenue (OTR) and Non-Tax Revenue (NTR) projections by the XV FC and State Government in Budgets vis-à-vis actual performance in mobilisation of resources for the year 2022-23 are shown below:

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

(₹ in crore)

	XV FC	Budget		Percentage variation of actual over			
	projections	Estimates	Actuals	XV FC projections	Budget estimates		
Own Tax Revenue	89,464	1,08,212	1,06,949	20	(-)1		
Non-Tax Revenue	13,969	25,422	19,554	40	(-)23		

Source: FFC projections, Budget Estimates and Finance Accounts

[#] Excludes Ways and Means Advances of ₹21,823 crore, ₹37,248 crore, ₹69,454 crore, ₹67,274 crore and ₹82,823 crore for 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 respectively

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.

- Mobilisation of OTR was significantly higher than the projections of XV FC for 2022-23. It is on par with the Budget Estimates indicating a realistic estimation.
- Mobilisation of NTR was also considerably higher than the projections of XV FC. It
 was, however, significantly lower than the estimates of the Government in Budget
 indicating over-estimation of receipts from NTR (refer to *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 2018-19 to 2022-23 is presented in the following Table:

Table 2.12: Total Expenditure and its components

(₹ in crore)

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure	1,28,435	1,34,365	1,50,010	1,74,155	1,92,535
Revenue Expenditure	97,083	1,08,798	1,23,212	1,36,804	1,53,406
Capital Expenditure	22,641	16,859	15,922	28,874	17,881
Loans and Advances	8,706	8,700	10,868	8,469	21,248
Inter-State Settlement	05	08	08	08	00
As a percentage to Gross State Domest	ic Product				
Total Expenditure	15	14	16	15	15
Revenue Expenditure	11	11	13	12	12
Capital Expenditure	03	02	02	03	01
Loans and Advances	01	01	01	01	02

Source: Finance Accounts of the years concerned

Total Expenditure of the State increased by 50 per cent from ₹1,28,435 crore in 2018-19 to ₹1,92,535 crore in 2022-23 and by 11 per cent over preceding year. As a percentage to GSDP, Revenue Expenditure during 2022-23 was same as that of previous year. Capital Expenditure decreased in absolute terms as well as in terms of percentage of GSDP. The following chart depicts the trend of the share of components of Expenditure.

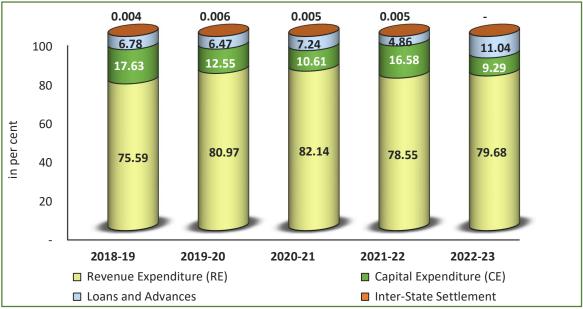


Chart 2.7: Trend of share of components in Total Expenditure

Source: Finance Accounts of the years concerned

- The share of Revenue Expenditure in Total Expenditure was one *percentage* point higher than previous year.
- Share of Capital Expenditure was least during the past five years whereas share of Loans and Advances given were highest. However, the high share of Loans and Advances does not truly reflect the Government assets as many of them were provided to service Off-Budget Liabilities of the Government (refer to *Paragraph 2.5.3.3*).

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 the following chart:

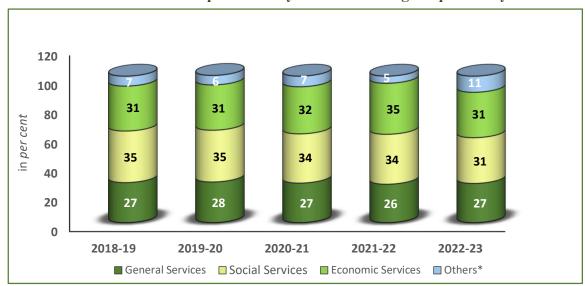


Chart 2.8: Trend of expenditure by activities during the past five years

Source: Finance Accounts of the years concerned

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

The share of General Services is almost constant across the years. However, the share of Social and Economic services has decreased during the current year. Loans and Advances provided have increased in the current year as mentioned above.

The following Chart shows the composition of expenditure for the year 2022-23.

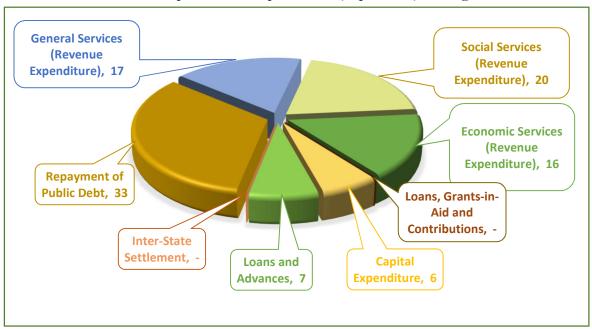


Chart 2.9: Composition of expenditure (in per cent) during 2022-23

Source: Finance Accounts

Note: Loans, Grants-in-Aid and Contributions in the above chart for State mainly refers to Compensation and Assignments to Local Bodies and Panchayat Raj Institutions, which are Nil during the year

The major portion of expenditure is towards Repayment of Public Debt followed by Social Services. Capital Expenditure is less than 10 *per cent*.

2.5.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. It also includes all subsequent charges for maintenance and all working expenses. 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 shown in the table below.

Table 2.13: Revenue Expenditure – Basic Parameters

(₹ in crore)

Sl. No.	Parameter	2018-19	2019-20	2020-21	2021-22	2022-23
1	Total Expenditure	1,28,435	1,34,365	1,50,010	1,74,155	1,92,535
2	Revenue Expenditure	97,083	1,08,798	1,23,212	1,36,804	1,53,406
3	Growth rate of Revenue Expenditure (per cent)	14	12	13	11	12
4	Revenue Expenditure as a <i>per cent to</i> Total Expenditure	76	81	82	79	80
5	Revenue Expenditure / Gross State Domestic Product in <i>per cent</i>	11	11	13	12	12
6	Revenue Expenditure as a <i>percentage to</i> Revenue Receipts	96	106	122	107	96
7	Growth rate of Gross State Domestic Product (per cent)	14	11	(-)01	20	16
8	Buoyancy of Revenue Expenditure with Gross State Domestic Product (ratio)	0.96	1.12	NC	0.56	0.74
9	Growth rate of Revenue Receipts (per cent)	14	1	(-)2	26	25
10	Buoyancy of Revenue Expenditure with Revenue Receipts (ratio)	0.97	10.89	NC	0.42	0.49

Source: Finance Accounts of the years concerned

NC: Not calculated as growth rates of GSDP or Revenue Receipts is negative

Revenue Expenditure increased by ₹56,323 crore (58 *per cent*) during the past five years from ₹97,083 crore in 2018-19 to ₹1,53,406 crore in 2022-23. Revenue Expenditure grew by around 12 *per cent* over previous year. The ratio of Revenue Expenditure (RE) with GSDP is around 12 *per cent*. Buoyancy ratios of RE to RR and RE to GSDP were less than '1', indicating that Revenue Expenditure was growing at a slower pace than RR and GSDP.

Sectoral distribution of Revenue Expenditure pertaining to 2022-23 is given below:

Social Services Pensions and miscellaneous 57,564 (37%) **General Services** 15,802 (10%) **Economic Services Administrative Services** 45,818 (30%) 10,260 (7%) **Interest Payment and** Loans, Grants-in-aid **Organs of State Servicing of Debt** and Contributions **Fiscal Services** ₹ in crore 1,092 (1%) 21,821 (14%) - (0%) 1,049 (1%) (in per cent)

Chart 2.10: Sector-wise distribution of Revenue Expenditure during 2022-23

Source: Finance Accounts

Note: Loans, Grants-in-Aid and Contributions in the above chart for State mainly refers to Compensation and Assignments to Local Bodies and Panchayat Raj Institutions, which are Nil during the year

Major portion of Revenue Expenditure was on Social Services (37 *per cent*), while nearly 31 *per cent* was on General Services like Interest Payments, Pensions, and Administrative Services, etc.

2.5.2.1 Major changes in Revenue Expenditure

Highest variations under different Heads of Account regarding Revenue Expenditure of the State during the current year vis-à-vis the previous year is shown below:

Table 2.14: Variation in Revenue Expenditure during 2022-23 compared to 2021-22 (₹ in crore)

Major Heads of Account	2021-22	2022-23	Variation
Increase	·		
General Sector			
2049 - Interest Payments	19,161	21,821	2,660
2071 - Pensions and Other Retirement benefits	14,025	15,816	1,791
Social Sector			
2202 - General Education	13,844	16,483	2,639
2235 - Social Security and Welfare	10,328	12,181	1,853
Economic Sector			
2801 - Power	11,111	17,678	6,567
2515 - Other Rural Development Programmes	4,410	5,733	1,323
Decrease			
Social Sector			
2225 - Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	15,450	11,537	(-)3,913
Economic Sector			
2435 - Other Agricultural Programmes	772	47	(-)725
3055 - Road Transport	890	459	(-)432
2401 - Crop Husbandry	17,303	17,031	(-)272
2852 - Industries	1,067	803	(-)264

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 of ₹7,061 crore on 'Taking over of DISCOM's losses under UDAY Scheme' under Power;
- Higher interest payments (₹2,632 crore) on State Development Loans (also refer to *Paragraph 3.2.2.5*);
- Higher disbursements on Pre-Bifurcation Service Pensions (₹1,435 crore), Pre-Bifurcation Family Pensions (₹684 crore) and Post-Bifurcation Service Pensions allocable between Successor States of Andhra Pradesh and Telangana (₹795 crore) under Pensions and other Retirement Benefits (also refer to *Paragraph 3.2.2.6*);
- Substantial expenditure of ₹1,904 crore on Assistance to Gram Panchayats under Other Rural Development Programmes;
- Higher outgo (₹1,093 crore) on Aasara Pensions under Social Security and Welfare; and
- Higher outlays on teaching grants to Mandal Praja Parishads by ₹831 crore and teaching grants to Zilla Praja Parishads by ₹843 crore under General Education.

The decrease in Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes was mainly on account of decrease (by ₹2,442 crore) in expenditure under Telangana Dalit Bandhu scheme.

Audit analysis of the data pertaining to the five-year period of 2018-23 revealed that major Revenue expenditure (₹5,000 crore or more) was incurred on the following schemes / subheads:

Table 2.15: Major schemes / sub-heads where Revenue Expenditure was significant during 2018-19 to 2022-23

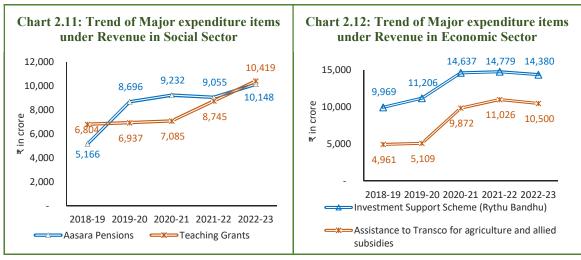
(₹ in crore)

Social Services		Economic Services	
Aasara Pensions (including pensions to disabled, widows, weavers and toddy tappers and old age pensions etc.)	42,296	Investment Support Scheme (Rythu Bandhu)	64,970
Teaching Grants to Mandal Praja Parishads	20,777	Assistance to TRANSCO for agriculture and allied subsidies	41,468
Teaching Grants to Zilla Praja Parishads	19,213	Insurance to Farmers	5,738
Kalyana Lakshmi and Shaadi Mubarak	9,999		
Subsidy on Rice (Human Resources Development)	8,482		
National Health Mission	6,899		
Telangana Dalit Bandhu	6,442		

Source: Finance Accounts of last five years

It can be seen from the above that Aasara pensions related expenditure constituted the highest share under Social Sector during the past five years. A huge expenditure of ₹1,06,438 crore has been spent on two schemes in Agriculture under Economic Services as mentioned above.

The trend of Revenue Expenditure components which constituted major share is shown in the below charts:



Source: Finance Accounts of last five years

The outgo on Aasara Pensions has nearly doubled during the past five years and that of Teaching Grants also showed considerable increase. The expenditure on Investment Support Scheme, which commenced in 2018-19, increased considerably in the first two years and continued at the same level during the past three years. The expenditure on Assistance to Transco for agriculture and allied subsidies had risen sharply in the previous two years but declined slightly in 2022-23.

2.5.2.2 Committed Expenditure and Inflexible Expenditure

The Committed expenditure of the State Government on revenue account consists of expenditure towards interest payments, expenditure on salaries and wages and pensions. It has the first charge on the Government expenditure. There are also certain items of inflexible expenditure which cannot be ordinarily altered or are statutorily required on an annual basis, unlike variable transactions such as capital expenditure, etc. For example, the following items may be considered as inflexible expenditure.

- (i) Devolution to Local Bodies Statutory devolutions to local bodies for pay and allowances (devolution/transfer for capital expenditure)
- (ii) Statutory requirements of contribution to Reserve Funds Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/SDRF), etc.
- (iii) Recoupment of Contingency Fund Amount recouped within the year.
- (iv) Transfer of Cess to reserve fund / other body, which are statutorily required Amount of State share to be transferred to SNAs / spent by the State.
- (v) Share contribution of CSS against the Central Fund received Amount of State share to be transferred to SNAs / spent by the State.
- (vi) Payment of interest on the balances of the interest-bearing fund as if they could have been invested and payment of interest on public debt as charged expenditure Interest payment.

Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector. Trend analysis of committed and inflexible expenditure and their components are depicted in the following table:

Table 2.16: Components of committed expenditure and inflexible expenditure

(₹ in crore)

Components of committed expenditure and Inflexible expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Committed Expenditure					
Salaries and Wages	23,011	24,195	24,654	30,256	35,130
Expenditure on Pensions	11,477	11,834	13,599	14,025	15,816
Interest Payments	12,586	14,386	16,841	19,161	21,821
Sub-Total	47,074	50,415	55,094	63,442	72,767
Inflexible Expenditure					
Statutory devolution to Local Bodies	1,466	3,386	5,945	3,293	2,827
Contribution to Reserve funds	1,002	1,250	599	479	252
Recoupment of Contingency Fund	0.09	2.10	4.21	0.00	0.05
State share contribution towards CSS against the Central Fund received	NA	NA	NA	2,167	3,282
Payment of interest on the balances of interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure – Interest payment	NA	23	213	182	131
Sub-Total	2,468	4,661	6,761	6,121	6,492
As a percentage to Revenue Receipts (RR))				
Salaries and Wages	23	24	24	24	22

Components of committed expenditure and Inflexible expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Expenditure on Pensions	11	11	14	11	10
Interest Payments	12	14	17	15	14
Sub-Total	46	49	55	50	46
Inflexible Expenditure as percentage to R	R				
Sub-Total	02	05	07	05	04
Inflexible Expenditure as percentage to R	E				
Sub-Total	03	04	05	05	04
Non-committed RE	50,009	58,383	68,118	73,362	80,639
Total Expenditure	1,28,435	1,34,365	1,50,010	1,74,155	1,92,535
Percentage of TE	39	43	45	42	42
Total Committed and Inflexible Expenditure	49,542	55,076	61,855	69,563	79,259
Percentage of TE	39	41	41	40	41
Subsidies	6,304	6,846	9,566	10,218	9,634
Subsidies as percentage of Non-committed expenditure	13	12	14	14	12

Source: Finance Accounts of last five years

NA: Not available

As a *percentage* of Revenue Receipts (RR), the committed expenditure accounted for 46 *per cent* and was least during the past five years, thus giving scope for more non-committed expenditure like welfare and development activities. As a percentage to RR, all the components of Committed Expenditure have decreased when compared to previous year, though they have increased in absolute terms.

Inflexible Expenditure ranged from 02 to 07 per cent of RR and 03 to 05 per cent of RE.

Non-committed expenditure is around 39 to 45 *per cent* of the Total Expenditure during the past five years. Within the Non-Committed expenditure subsidies constituted 12 to 14 *per cent*, which further reduce the fiscal space for welfare and development activities.

The share of committed expenditure in total Revenue Expenditure during the past five years is depicted in the following Chart:

100 80 51.51 53.66 55.29 53.63 52.57 60 in per cent 12.96 40 13.22 13.67 14.01 14.22 11.82 10.88 11.04 10.25 10.31 20 23.70 22.24 20.01 22.12 22.90 0 2018-19 2019-20 2020-21 2021-22 2022-23 ■ Salaries & Wages ■ Expenditure on Pensions ■ Interest Payments ■ Non committed expenditure

Chart 2.13: Share of committed expenditure in Revenue Expenditure during the period 2018-19 to 2022-23

Committed expenditure constituted about 47 *per cent* of Revenue Expenditure (RE) in 2022-23. Total Committed and Inflexible Expenditure constituted 51 *per cent* of the RE. As a percentage to RE, all the components of Committed Expenditure viz., Salaries and Wages, Pensions and interest payments have increased.

Greater reliance on market borrowings by the Government in recent years led to increased committed liabilities on interest payments. Consequently, interest payments have grown by nearly 73 *per cent* during the past five-year period 2018-23 from ₹12,586 crore to ₹21,821 crore. It can be seen from the above chart that the interest payments as a *percentage* of Revenue Expenditure have been continuously increasing.

Apart from this, the Government facilitated interest payment of ₹8,696 crore for the loans taken by seven institutions in the form of further loans¹¹. These interest payments are relatable to Off-Budget Borrowings (refer to Paragraph 2.7.2).

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 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.

As per Finance Accounts, as on 01 April 2022, the NPS Deposit Account under Defined Contributory Pension Scheme for Government Employees had an opening balance of ₹314 crore. Receipts to National Pension System Deposit Account during the year were ₹2,214 crore¹². Of the available total of ₹2,528 crore, Government transferred ₹1,455 crore to National Securities Depository Limited, leaving a balance of ₹1,073 crore¹³ yet to be transferred.

As per provisions of the National Pension System, Government has to match the contribution of the employees. There is a short contribution of ₹114 crore during the year by Government and an overall short contribution of ₹180 crore 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 ₹1,253 crore payable to NSDL (short

As seen from the vouchers pertaining to Loans provided to following entities towards interest payment:

(i) Kaleswaram Irrigation Project Corporation Limited (₹6,608 crore); (ii) Telangana State Water Resources Infrastructure Development Corporation Limited (₹1,106 crore); (iii) Telangana Drinking Water Supply Corporation Limited (₹581 crore); (iv) Telangana State Road Development Corporation (₹212 crore); (v) Telangana State Power Finance Corporation (₹127 crore); (vi) Telangana State Dairy Development Cooperative Federation Limited (₹40 crore); and (vii) Telangana State Police Housing Corporation (₹22 crore) and interest paid details are not available in respect of others.

¹² Includes ₹1,136 crore of Employee contribution; Government contribution of ₹1,022 crore; and ₹55 crore is under reconciliation

As of March 2023, in Defined Contribution Pension Scheme for Government employees Deposit Account in Public Account

¹⁴ Employees contribution ₹5,387 crore (-) Government contribution ₹5,207 crore

contribution by Government and amount yet to be transferred to National Securities Depository Limited) to the end of March 2023. Director of Treasuries and Accounts (DTA) stated (September 2023) that there are no Government instructions for payment of interest to the amounts other than legacy period from 01 September 2004 to 31 March 2011 (refer to *Paragraph 4.2* for non-discharge of interest liability).

Upon the bifurcation of the erstwhile combined State of Andhra Pradesh in 2014, a balance of ₹730 crore was available in the National Pension System Deposit Account of the composite Andhra Pradesh State, pending transfer to National Securities Depository Limited. This amount was to be apportioned between the successor States of Andhra Pradesh and Telangana. Of this amount, ₹365 crore was apportioned in 2018-19 and Telangana was allocated ₹135 crore. No further apportionment occurred during 2019-23 and an amount of ₹365 crore is yet to be apportioned as of March 2023.

The Director of Treasuries and Accounts (DTA) has informed (September 2023) the following discrepancies in the data available with it 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 the year	1,136	932
Contribution made by Government during the year	1,022	861
Amount transferred to NSDL	1,455	1,220
Balance to be transferred to NSDL	1,073	446
Amount apportioned	365	345

Source: Finance Accounts and information furnished by DTA

Further, the DTA informed (September 2023) that the matter has been taken up with Principal Accountant General (Accounts and Entitlements).

2.5.2.4 Subsidies

The following table presents expenditure on subsidies for the five-year period 2018-19 to 2022-23.

Table 2.18: Expenditure on subsidies

	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	6,304	6,846	9,566	10,218	9,634
Subsidies as a percentage of Revenue Receipts	06	07	09	08	06
Subsidies as a <i>percentage</i> of Revenue Expenditure	06	06	08	07	06

Source: Finance Accounts

• Subsidies decreased by ₹584 crore (6 per cent) compared to previous year. Subsidies as a percentage to Revenue Receipts and Revenue Expenditure decreased marginally during the current year. The decrease was mainly on account of (i) Assistance to Transmission Corporation of Telangana Ltd. for Agricultural and allied Subsidy (decrease by ₹396 crore) and (ii) Assistance to T.S.R.T.C towards Reimbursement of Concessions extended to various categories of citizens (decrease by ₹331 crore).

• Only three subsidy items cover 99 *per cent* of the total subsidies. They are: (i) Assistance to Transmission Corporation of Telangana Ltd. for Agricultural and allied Subsidy (₹7,665 crore, 80 *per cent*); (ii) Subsidy on Rice (Human Resource Development) (₹1,341 crore, 14 *per cent*), and (iii) Assistance to T.S.R.T.C towards Reimbursement of Concessions extended to various categories of citizens (₹459 crore, 5 *per cent*).

(i) Implicit Subsidies

Implicit Subsidies arise when the Government provides social and economic goods/services at a price lesser than the cost of goods and services incurred by the Government and are indirect or in kind or can be given as a concession but not specifically described as subsidies. The following are considered as such implicit subsidies:

- It was mentioned above that the Government provided ₹7,665 crore as subsidies towards Assistance to Transmission Corporation of Telangana Ltd. for Agricultural and allied Subsidy. Apart from this Government provided another ₹2,835 crore towards same in the form of Grants-in-Aid. Out of this ₹1,785 crore was under Minor Head Special Component Plan for Scheduled Castes and ₹1,050 crore was under Tribal Area Sub-plan. The reason for allocating ₹2,835 crore as Grants-in-Aid for the same purpose under different heads was not known.
- Power subsidy for industries (₹101 crore) and Managerial subsidy to Telangana Scheduled Castes Co-operative Development Corporation (₹40 crore) were provided in the form of Grants-in-Aid.

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

The State Government provided an amount of ₹69,317 crore to Local Bodies and other Institutions by way of Grants and Loans in 2022-23, which was higher by ₹7,917 crore than in the preceding year.

Table 2.19: Financial assistance to Local Bodies and Other Institutions

(₹ in crore)

Name of the Institution	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Urban Local Bodies: Municipal Corporations and Municipalities	1,542	1,359	3,785	2,698	4,110
Panchayat Raj Institutions: Zilla Praja Parishads, Mandal Praja Parishads and Gram Panchayats	5,996	7,273	8,538	8,521	11,127
Total (A)	7,538	8,632	12,323	11,219	15,237
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,037	965	985	1,032	1,134
Development Authorities	236	154	246	355	241
Statutory Corporations	1,409	1,421	2,632	3,370	3,205
Co-operative Institutions	229	68	15	167	81
Non-Governmental Organisations	775	962	511	600	555
Other Institutions*	26,684	32,765	37,572	44,657	48,864
Total (B)	30,370	36,335	41,961	50,181	54,080
Total (A+B)	37,908	44,967	54,284	61,400	69,317

Name of the Institution	2018-19	2019-20	2020-21	2021-22	2022-23
Grants-in-Aid on salary	6,563	6,957	7,192	8,533	9,848
Grants-in-Aid for creation of Capital Assets	7	0	139	693	613
Grants-in-Aid for non-salary	31,337	38,010	46,953	52,174	58,856
Grant-in-Aid given in kind	State Go	vernment h	as not provi	ided the infe	ormation
Revenue Expenditure	97,083	1,08,798	1,23,212	1,36,804	1,53,406
Assistance as percentage of Revenue Expenditure	39.05	41.33	44.06	44.88	45.19

Source: Finance Accounts of the years concerned

It can be noted from the above table that the Government's spending is increasingly taking the form of Grants-in-Aid. While 39 *per cent* of Revenue Expenditure was in the form of Financial Assistance in 2018-19, it has grown to more than 45 *per cent* in 2022-23.

The main reasons for the increase in Financial Assistance during 2022-23 were expenditure of ₹7,061 crore on taking over losses of DISCOMs under UDAY and provision of Grants-in-Aid of ₹1,876 crore towards Assistance to Gram Panchayats.

Box 2.2: Implementation of recommendations of the State Finance Commission

As per 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), but without any formal orders indicating 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 Government in October 2020, after six months of commencement of the Financial Year 2020-21.

The Government earlier i.e., in the previous years informed (January 2022) that the report of SFC is under examination and the funds were being released based on proportionate population. Further information is awaited from the Government.

Delay in appointment of members to State Finance Commission and subsequent delay in acceptance and implementation of the recommendations resulted in release of funds without relevant recommendations apart from non-compliance to the Constitutional mandate.

^{*} Other institutions which received ad-hoc or one-time grants during the year mainly towards investment support scheme (₹14,366 crore), Aasara Pensions (₹6,383 crore), Telangana Dalit Bandhu (₹2,000 crore), Aasara Pensions to old age persons and widows (₹1,863 crore), Kalyana Lakshmi (₹1,544 crore), Insurance to Farmers (₹1,448 crore), Samagra Siksha (₹1,216 crore), etc. (full details are available in Appendix III of Finance Accounts

It is recommended that the State Government may take appropriate action on the Report of the State Finance Commission and ensure that the mechanism of State Finance Commission is kept functional.

2.5.3 Capital Expenditure

Capital Expenditure is incurred for acquisition and creation of capital assets. Capital Expenditure during the year 2022-23 (₹17,881 crore) was 38 *per cent* lower than that of the preceding year (₹28,874 crore). In terms of *percentages* of the Total Expenditure, the Capital Expenditure during 2022-23 was lowest during the last five years at 9 *per cent* of the Total Expenditure. It was highest at 18 *per cent* of the Total Expenditure in 2018-19.

2.5.3.1 Major changes in Capital Expenditure

Significant increase or decrease under various Heads of Account in Capital Expenditure during 2022-23 vis-à-vis previous year is shown in the following table.

Table 2.20: Capital Expenditure – Comparison between 2021-22 and 2022-23

(₹ in crore)

Major Heads of Accounts	2021-22	2022-23	Variation
Increase			
Social Sector			
4202 - Capital outlay on Education, Sports, Art and Culture	49	585	536
4210- Capital outlay on Medical and Public Health	498	806	308
General Sector			
4059 - Capital outlay on Public Works	447	698	251
Decrease			
Economic Sector			
4700 - Capital outlay on Major Irrigation	12,025	7,427	(-) 4,597
5055 - Capital outlay on Road Transport	938	123	(-) 815
4702 - Capital outlay on Minor Irrigation	1,383	677	(-) 706
4515 – Capital outlay on Other Rural Development Programmes	2,600	1,946	(-) 653
Social Sector			
4215 - Capital outlay on Water Supply and Sanitation	5,329	941	(-) 4,387

Source: Finance Accounts of the years concerned

The decrease in Capital outlay was mainly due to decrease in investments. There were huge investments of ₹9,093 crore in 2021-22 mainly in (i) Telangana Drinking Water Supply Corporation Limited (₹3,708 crore), (ii) Kaleshwaram Corporation (₹3,072 crore), (iii) Telangana State Water Resources Infrastructure Development Corporation (₹1,095 crore), (iv) Telangana State Road Development Corporation (₹573 crore), (v) Telangana State Road Transport Corporation (₹365 crore), and (vi) Telangana State Industrial Infrastructure Corporation (₹269 crore). Out of these entities, the only entity that got investment during the current year was Telangana State Road Transport Corporation (₹122 crore).

Apart from investments, Capital Expenditure also decreased in respect of (i) Palamuru-Ranga Reddy Lift Irrigation Scheme (decrease by ₹576 crore), (ii) Mission Bhagiratha (decrease by ₹568 crore), (iii) Minor Irrigation works under Rural Infrastructure Development Fund (decrease by ₹387 crore) and (iv) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (decrease by ₹673 crore).

The net higher expenditure under 'Education, Sports, Art and Culture' was due to increased disbursements towards Civil Works under Samagra Shiksha (₹247 crore). There were increases in (i) construction of Buildings for Secretariat (from ₹86 crore in 2021-22 to ₹367 crore in 2022-23), (ii) Constituency Development Programme (₹432 crore in 2021-22 to ₹1,029 crore in 2022-23), (iii) Hospitals and Dispensaries (₹338 crore in 2021-22 to ₹589 crore in 2022-23).

Highest Capital Expenditure during the past years 2018-23 incurred in respect of the following:

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)		
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	6,145	Palamuru – Ranga Reddy Lift Irrigation Scheme	12,937
Mission Bhagiratha	6,366	Kaleshwaram Project	11,370
		Rural Water Supply	6,798
		Special Development Fund for welfare and development activities	3,839

Source: Finance Accounts of last five years

Apart from the Capital Expenditure on its own, the Government has also been implementing few Capital-intensive flagship projects / schemes like Kaleshwaram, Mission Bhagiratha, Palamuru Ranga Reddy Scheme etc., through Off-Budget Borrowings raised by Special Purpose Vehicles (refer to *Paragraph 2.7.2* for details).

Box 2.3: 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. The issue was brought to the notice of the Government in the past few years through State Finances Audit Reports of the years concerned.

In the current year also, the trend continued, and an amount of ₹50 crore was booked under capital (refer to *Paragraph 3.4.9.1 (i)*). We observed that the total progressive Capital expenditure as of March 2023 on this account was ₹223 crore. Such classification of Revenue expenditure on consumables as Capital expenditure is incorrect.

2.5.3.2 Quality of Capital Expenditure – Investments

Capital Expenditure of the Government in the form of investment in 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 2023, State Government's investments stood at ₹31,100 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During 2022-23, Government of Telangana invested ₹181 crore in three entities. There is a drastic

decline in the investments during the year when compared to previous year (₹9,093 crore) 2021-22. The investments were made in mainly two institutions as shown below:

Table 2.22: Major investments made by Government during 2022-23

Sl. No.	Investment	Amount (₹ in crore)
1	Telangana State Road Transport Corporation	122
2	Ramagundam Fertilizers and Chemicals Limited	54

Source: Finance Accounts

Year-wise details of investments made, and Return on Investment by the Government are shown in the following table:

Table 2.23: Investments and Return on Investment

Investment/return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	19,754	21,807	21,826	30,919	31,100
Return on Investment (₹ in crore)	94	115	94	52	78
Return on investment in per cent	0.48	0.53	0.43	0.17	0.25
Interest paid on Government Borrowings (₹ in crore)	12,586	14,386	16,841	19,161	21,821
Average rate of interest on Government Borrowings (per cent)	6.94	6.70	6.63	6.49	6.57
Difference between return on investment [#] and interest on Government borrowings (₹ in crore)	(-)12,492	(-)14,271	(-)16,747	(-)19,109	(-)21,743
Difference between return and interest rate (per cent)	(-)6.46	(-)6.17	(-)6.20	(-)6.32	(-)6.32

Source: Finance Accounts of the years concerned

Return on Investment (RoI) in these Companies/Corporations has been quite low consistently. Investments made by the Government have increased from ₹19,754 crore in 2018-19 to ₹31,100 crore in 2022-23, registering an increase of 57.44 *per cent* over the past five years. However, there was no notable increase in RoI from the Companies/Corporations.

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 9 Public Sector Undertakings whose net worth has been completely eroded due to accumulated losses leading to negative net worth of (-)₹50,931 crore (refer to *Paragraph 5.7.2* for further details). As per finance accounts, the State Government has an investment of ₹17,621 crore in four 15 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. The following presents the details of outstanding Loans and Advances during the years 2018-23.

[#] Investment at the end of the year

⁽i) Two DISCOMs: ₹17,619 crore, (ii) Telangana Water Resource Development Corporation Limited: ₹2 crore, (iii) Telangana State Housing Corporation Limited: ₹0.25 crore, and (iv) Telangana Rajiv Swagruha Corporation Limited: ₹0.03 crore

Table 2.24: Quantum of loans disbursed and recovered during 2018-19 to 2022-23

(₹ in crore)

Quantum of loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding	15,869	24,509	33,147	43,957	52,379
Amount advanced during the year	8,706	8,700	10,868	8,469	21,248
Amount recovered during the year	66	62	58	48	629
Closing Balance of the loans outstanding	24,509	33,147	43,957	52,379	72,998
Net addition	8,640	8,638	10,810	8,421	20,619
Interest received	7	6	6	6	253
Interest rate on Loans and Advances given by the Government	0.03	0.02	0.01	0.01	0.35
Rate of Interest paid on the outstanding borrowings of the Government	6.94	6.70	6.63	6.49	6.57
Difference between the rate of interest received and interest paid (per cent)	(-) 6.91	(-) 6.68	(-)6.62	(-)6.48	(-)6.22

Source: Finance Accounts of the years concerned

Loans and Advances given during 2022-23 shown a sharp increase i.e., by ₹12,779 crore in absolute terms and 150 *per cent* over previous year.

- Major increase in disbursement of Loans and Advances is seen in respect of Kaleshwaram Irrigation Project Corporation Limited (increase by ₹7,460 crore), Telangana State Water Resource Infrastructure Development Corporation Limited (increase by ₹1,424 crore), Hyderabad Metro Rail Limited (₹1,300 crore) and Telangana State Road Development Corporation (₹587 crore).
- The increase was also on account of fresh Loans provided to Telangana State MARKFED (₹1,107 crore) and Loans to Hyderabad Metro Water Supply & Sewerage Board for Sunkishala Intake Project KDWSP (₹725 crore).
- As per the Accounts, the Loans and Advances recoverable from various institutions as of March 2023 is ₹72,998 crore. A few major are mentioned below:

Table 2.25: Major Loans provided to Institutions and recoverable by Government

Sl. No.	Institution / Programme	₹ in crore
1	Kaleshwaram Irrigation Project Corporation Limited	12,318
2	Telangana Drinking Water Supply Corporation Limited	10,421
3	Hyderabad Metropolitan Water Supply and Sewerage Board	10,338
4	Financial Institutions (under Housing sector)	6,037
5	Telangana State Sheep and Goat Development Cooperative Federation Limited	3,816
6	Telangana State Water Resources Infrastructure Development Corporation Limited	3,665
7	Telangana Scheduled Castes Co-operative Development Corporation Limited	3,000
8	Hyderabad Metro Rail Project	2,627
9	Arogyasree Health Care Trust	2,812
10	Repayment of Power Finance Corporation Bond	2,398
11	Telangana Scheduled Tribes Cooperative Finance Corporation Limited	1,700
12	Weaker Section Housing Programme	1,599

Source: Finance Accounts

The State Government has earlier in its different Budget speeches declared that programmes like (i) Mission Bhagiratha being implemented by Telangana Drinking

Water Supply Corporation (ii) Major Irrigation Schemes like Kaleshwaram, Palamuru-Ranga Reddy, Sitarama, Devadula being implemented through Kaleshwaram Irrigation Project Corporation, Telangana State Water Resources Infrastructure Development Corporation, (iii) Two Bed Room Housing schemes being implemented through borrowings from Financial Institutions, (iv) Sheep and Goat programme being implemented by Telangana State Sheep and Goat Cooperative Federation limited are through Extra-Budgetary Resources. The loans mentioned at items (1), (2), (4), (5), and (6) are given by the Government towards principal repayment and interest payment of the borrowings taken from Banks/Financial institutions and are related to Extra-Budgetary Resourcing or Off-Budget Borrowings.

Further, Institutions mentioned at (7), (9) and (11) are those to which Government has given Loans, but do not have their own revenue resources for repayment to Government and are implementing Government schemes. Hence, these are to be considered as Grants-in-Aid provided in the form of Loans.

In respect of item (10) the loans provided were towards repayment of Power Finance Corporation Bonds taken by the erstwhile combined State of Andhra Pradesh. So, these loans are in fact towards discharge of Government liabilities.

Thus, these loans do not reflect the true picture of Government assets as Loans recoverable.

Hence, it is recommended that State Government may modify depiction of discharge of its liabilities on account of Off-Budget Borrowings as loans advanced to the entities.

- 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 all the entities (August 2023). There was no confirmation
 from the entities/institutions in earlier years also. The lack of confirmation continuously
 over the past few years could raise concerns about the fairness in depiction of Loans in
 accounts.
- Recovery of Loans continued to be poor this year also. Though an amount of ₹629 crore has been shown as recovery during the year 2022-23, much higher than recovery of ₹48 crore in the previous year 2021-22, an amount of ₹590 crore was received higher than previous disbursement in the accounts, thus increasing the negative balance in respect of Loans to Telangana Transco for modernisation and strengthening of Transmission system in Hyderabad metropolitan area. Out of the remaining ₹39 crore recovered during the year, ₹17 crore was recovery from Government Servants, ₹5 crore from loans given towards purchase of motor cars, and ₹7 crore was recovery from loans to honourable MLAs for purchase of Motor Cars.

Non-recovery from any of the institutions to whom huge loans were given also reinforces the view that many loans given are either towards discharge of Off-Budget Liabilities or to institutions which cannot repay on their own due to lack of own revenue resources.

• An amount of ₹253 crore was received as interest on Loans provided. However, out of this, as mentioned in *Paragraph 2.4.1.1 (ii)* earlier, an amount of ₹247 crore was from Telangana Transmission Corporation arising from out of Loans to Telangana TRANSCO for High Voltage Distribution System (HVDS), for which the principal outstanding itself only ₹736 crore. This means nearly 34 *per cent* is received as interest during the year. Another ₹6 crore was received from Government servants.

Again, no interest was received from any of the institutions to whom huge loans were provided.

Hence, it is recommended that State Government may ensure that the orders sanctioning loan /agreements should specify conditions like rate of interest, repayment schedule, etc. It also should firm up terms and conditions of earlier loans, if any, provided without specifying the same.

• State Government has provided ₹1,450 crore Loans to Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) during 2022-23 and a total of ₹10,338 crore loans as of March 2023. However, Annual Accounts of Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) were in arrears for three years from 2020-21. Similarly, Telangana Vaidya Vidhana Parishad, to which loans to an extent of ₹528 crore were provided, has not entrusted audit of their accounts from 2020-21 onwards, and in fact, has not submitted its accounts from 2014-15 onwards.

The State Government may ensure timely 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, the Capital outlay was ₹1,02,177 crore which ranged from 09 *per cent* to 18 *per cent* of the Total Expenditure in each year. Nearly half (i.e., ₹48,679 crore, 48 *per cent*) of total Capital outlay during these five years was incurred on Irrigation and Flood Control.

30,000 100 25,000 15,338 80 20,000 Li H/ 13,523 **60** cent **56** 53 47 46 40 40 ⊆ 7,371 7,532 10,000 9,733 20 5,000 9,488 13,536 9,118 8,390 8,148 0 2018-19 2019-20 2020-21 2021-22 2022-23 Capital Outlay on others Capital outlay on Irrigation and Flood Control Percentage of Irrigation and Flood Control in Capital outlay

Chart 2.14: 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, 280 projects / works were incomplete, and an expenditure of ₹1,78,354 crore was incurred on them as of March 2023. The age-wise and Department/wing wise profile is shown in following tables:

Table 2.26: Age profile of incomplete projects / works as on 31 March 2023

Works as on or march 2020							
Incomplete Project / work commenced in the year	No. of incomplete Projects / works	Estimated cost (₹ in crore)	Expenditure (₹ in crore)				
up to 2013-14	17	64,283	1,48,943				
2014-15	1	1	1				
2015-16	28	108	60				
2016-17	47	37,726	24,858				
2017-18	41	2,867	2,083				
2018-19	75	615	439				
2019-20	20	313	186				
2020-21	11	2,084	1,705				
2021-22	18	135	43				
2022-23	22	272	36				
Total	280	1,08,404	1,78,354				

Table 2.27: Department / Wing-wise profile of incomplete projects / works as on 31 March 2023

Department / Wing	No. of incomplete projects / works	Estimated cost (₹ in crore)	Expenditure (₹ in crore)
Roads	216	2,800	1,656
Buildings	25	1,741	1,898
Bridges	16	42	27
Irrigation	20	1,02,388	1,73,564
Others	3	1,433	1,209
Total	280	1,08,404	1,78,354

Source: Finance Accounts

There were 20 incomplete irrigation projects (commenced between 1983 to 2018) to be completed by the year 2023. The original cost of these projects has increased from ₹1,02,388 crore to ₹2,06,977 crore i.e., an escalation by ₹1,04,589 crore (102 per cent). An expenditure of ₹1,73,564 crore was incurred on these projects as of March 2023. In addition to this, the Government has a pending liability of ₹8,971 crore in respect of 13 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, 260 projects/works with an estimated cost of ₹6,016 crore remained incomplete, and an expenditure of ₹4,790 crore was incurred as of March 2023 on these delayed projects. In addition to this, as per Appendix IX of the Finance Accounts, the Government has a pending liability of ₹1,096 crore in respect of 113 other ongoing projects/works¹⁶.

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.

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 States¹⁷ is given below:

Table 2.28: Expenditure priority of the State regarding Health, Education and Capital Expenditure

	TE/ GSDP	SSE / TE	ESE / TE	DE / TE	CE / TE	Education/ TE	Health/ TE
Average of General States (2018-19)	16.38	36.60	30.65	67.24	15.58	14.76	5.07
Telangana (2018-19)	14.98	40.46	32.29	72.74	24.41	8.98	4.67
Average of General States (2022-23)	15.79	38.11	29.17	67.28	15.22	14.85	5.68
Telangana (2022-23)	14.66	34.54	38.84	73.37	20.32	9.06	4.57

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

(i) 84 Road works with pending payment of ₹181 crore (ii) 07 Buildings works with pending payment of ₹6 crore; and (iii) 22 irrigation projects with pending payment of ₹909 crore.

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

- The Total Expenditure of Telangana as a percentage of Gross State Domestic Product was lower by more than one *percentage* point when compared to General States.
- The proportion of expenditure on Development (i.e., expenditure on Social and Economic Sectors) to Total expenditure has been higher than the average of General States. This shows that the State has given high priority to Development Expenditure. This is mainly because of higher expenditure on Economic Services by more than nine *percentage* points. However, for the first time the expenditure on Social Services was lower than other General States.
- Capital Expenditure, as a percentage of Total Expenditure decreased from 24 *per cent* in 2018-19 to 20 *per cent* in 2022-23. However, it is still higher (by almost 05 *per cent*) than the average of General States (15 *per cent*).
- The State has, been persistently trailing in respect of expenditure on Education (by almost 06 *per cent* during 2022-23) and Health (by 01 *per cent* during 2022-23) when compared to the other General States.

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.

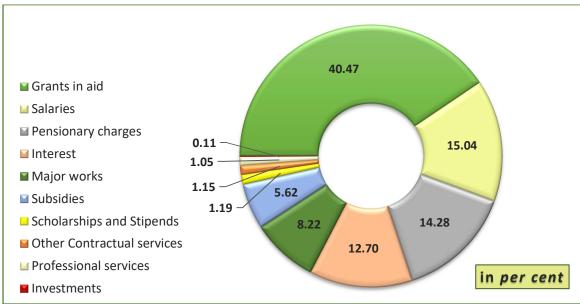


Chart 2.15: Object-wise expenditure

Source: Finance Accounts

Most of the expenditure was in the form of Grants-in-Aid followed by expenditure on Salaries, Pensions, 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 in Revenue and Capital Expenditure also increased from 32 *per cent* in 2018-19 to 40 *per cent* in 2022-23 as shown in chart below on account of increasing expenditure on schemes like Rythu Bandhu, Dalit Bandhu, etc.

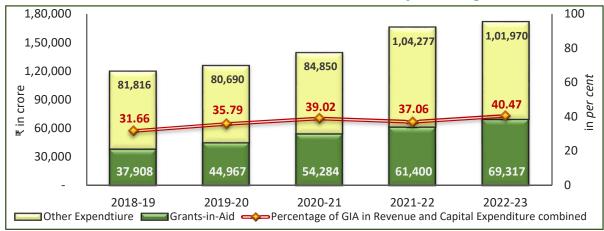


Chart 2.16: Share of Grants-in-Aid and other objects of expenditure

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., do not form part of the Consolidated Fund, and 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 2018-19 to 2022-23 are given in the next table:

Table 2.29: Component-wise net balances (increase (+) / decrease (-)) in Public Account (as of 31 March of the year)

(₹ in crore)

Sector and Sub-Sector	2018-19	2019-20	2020-21	2021-22	2022-23			
Small Savings, Provident Funds, etc.	845	783	945	1,067	2,049			
Reserve Funds								
a) Reserve Funds bearing interest	288	3,226	226	(-)1,634	(-)207			
b)Reserve Funds not bearing interest	1,242	1,127	548	580	634			
Deposits								
a) Deposits bearing interest	121	140	180	72	1,316			
b)Deposits not bearing interest	2,976	1,266	4,901	1,151	(-)367			
c) Advances	3	0.01	0	0.01	0.01			
Suspense and Miscellaneous								
a) Suspense	113	292	(-)229	755	347			
b)Other Accounts	(-)773	5	(-)3	(-)3	(-)0.26			
c) Accounts with Governments of Foreign Countries	(-)0.03	(-)0.02	(-)0.02	(-)0.02	(-)0.03			
d)Miscellaneous								
Remittances	Remittances							
a) Money Orders and other Remittances	126	34	(-)5	583	(-)462			
b)Inter-Governmental adjustment account	(-)11	(-)27	(-)27	34	(-)4			
Total	4,930	6,846	6,536	2,605	3,306			

Source: Finance Accounts of the years concerned

- The increase of ₹2,049 crore in Small Savings, Provident Funds etc., was mainly due to increase in State Government Insurance Fund by ₹1,070 crore and General Provident Fund net balance by ₹945 crore.
- The decrease of ₹207 crore in Reserve Funds bearing interest was mainly on account of increase of ₹128 crore in State Disaster Response Fund and decrease of ₹336 crore in State Compensatory Afforestation Fund.
- The increase in Reserve Funds not bearing interest is due to receipts into Consolidated Sinking Fund and Guarantee Redemption Fund from out of investments.
- The increase in Deposits bearing interest by ₹1,316 crore in 2022-23 was mainly due to higher retention of fund under Defined Contribution Pension Scheme for Government Employees instead of transferring to National Security Deposits Limited (refer to *Paragraph 2.5.2.3* for further details).

2.6.2 Reserve Funds and Funds under Deposit Accounts

Reserve Funds are created for specific and defined purposes. These are funded by contributions / Grants from Consolidated Fund of the State. Out of the gross accumulated balance of ₹12,188 crore lying in these Funds as on 31 March 2023, an amount of ₹8,600 crore was invested in Government of India Securities, leaving a net accumulated balance of ₹3,588 crore¹⁸.

The transactions during the year 2022-23 under major Reserve Funds are detailed below.

2.6.2.1 Consolidated Sinking Fund

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

As per the guidelines¹⁹, the State Government may contribute annually to the Consolidated Sinking Fund at 0.50 *per cent* of the outstanding liabilities²⁰ at the end of the previous financial year. Accordingly, ₹1,536 crore was required to be contributed in 2022-23 on the outstanding liabilities of ₹3,07,163 crore as at the end of 2021-22. However, the State Government did not contribute any amount in 2022-23. An interest of ₹513 crore was earned through the amounts invested from Consolidated Sinking Fund. As of 31 March 2023, the balance in Sinking Fund was ₹7,094 crore, of which ₹7,053 crore was invested.

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

¹⁸ Reserve Funds bearing Interest: ₹1,989 crore and Reserve Funds not bearing Interest: ₹1,599 crore

G.O.Ms.No.3, Finance (DCM), dated 11 June 2014 on Revised Scheme of Consolidated Sinking Fund
 As per Consolidated Sinking Fund guidelines outstanding liabilities is defined to comprise of internal debt and public account liabilities of the Government

Table 2.30: Contributions required to be made to Consolidated Sinking Fund (CSF) and made during the past five years

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding liabilities at the end of previous year	1,57,218	1,88,733	2,24,182	2,67,843	3,07,163
Contribution to be made	786	944	1,121	1,339	1,536
Contribution made by the State Government	500	300	Nil	Nil	Nil
Interest accrued on investments made from out of CSF	352	450	468	472	513

Source: Finance Accounts of the years concerned

As against a requirement of ₹5,726 crore to be contributed to the CSF during the past five years, the Government had contributed only ₹800 crore in 2018-19 and 2019-20, leaving an aggregate shortfall of ₹4,926 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. The contributions are initially received in SDRF, out of which 20 *per cent* are to be transferred to SDMF.

The XV FC recommended a grant of ₹629 crore in total *i.e.*, ₹472 crore from GoI and ₹157 crore from State Government in 75:25 *per cent* ratio to SDRMF for the year 2022-23. However, Government of India has contributed an amount ₹189 crore only. This amount is received in Consolidated Fund of the State. State Government contributed ₹63 crore as 25 *per cent* of its share. Thus, the total contribution by GoI and State Government was of ₹252 crore as against ₹629 crore resulting in a short contribution of ₹377 crore towards SDRMF. The contribution amount of ₹252 crore was initially received in SDRF.

(i) State Disaster Response Fund

GoI replaced erstwhile Calamity Relief Fund with SDRF with effect from 01 April 2010. As per guidelines of SDRF, Government of India and State Governments are required to contribute to the Fund in the proportion of 75:25 respectively.

The contributions from GoI and State Government are to be transferred from Consolidated Fund of the State to the Public Account under Major Head of Account – 8121. Expenditure from SDRF during the year is incurred initially by operating Major Head – 2245 - Relief on account of Natural Calamities and later adjusted to SDRF. 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 ₹608 crore on 1 April 2022. As per the recommendations of the XV Finance Commission, during 2022-23 the GoI and State Government were required to contribute an amount of ₹503 crore, being 80 *per cent* of the recommended contribution of ₹629 crore to SDRMF. However, the GoI contributed ₹189 crore and the State Government contributed ₹63 crore totalling to ₹252 crore. Out of this, an amount of ₹50 crore was to be transferred to SDMF, which was not done.

Out of ₹860 crore available in SDRF, an amount of ₹123 crore was utilised, leaving a balance of ₹737 crore in the Fund.

(ii) State Disaster Mitigation Fund

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.

The SDMF had a balance of ₹120 crore on 1 April 2022. As per the recommendations of the XV Finance Commission, during 2022-23 the GoI and State Government were required to contribute an amount of ₹126 crore, being 20 *per cent* of the recommended contribution of ₹629 crore to SDRMF. However, no amounts were received into the SDMF during the year 2022-23. Even out of the amount of ₹252 crore contributed by GoI and the State Government to SDRF, the 20 *per cent* of ₹252 crore i.e., ₹50 crore was not apportioned to SDMF. No expenditure was also incurred from out of SDMF. Thus, the available balance in SDMF remained at ₹120 crore.

The State Government did not furnish any reasons for not utilising the SDMF towards mitigation of disasters.

2.6.2.3 Guarantee Redemption Fund

As per guidelines of Reserve Bank of India, Government of Telangana created²¹ (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 decided to 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, ₹951 crore was to be contributed in 2022-23 on the outstanding value (₹1,90,244 crore as of 31 December 2022) of Guarantees. However, the State Government did not make any contribution in the year 2022-23.

The State Government has not been contributing to the GRF on a regular basis during the last five-years as shown below.

²¹ G.O.Ms. No. 4, Finance (DCM), dated 11 June 2014

Table 2.31: Contributions required to be made to Guarantee Redemption Fund (GRF) and made during the past five years

(₹ in crore)

Sl. No.	Details	2018-19	2019-20	2020-21	2021-22	2022-23
1	Outstanding Guarantees	77,713	89,600	1,05,007	1,35,283	1,90,244
2	Contribution to be made	389	448	525	676	951
3	Contribution made	200	300	Nil	Nil	Nil
4	Minimum level at 3 per cent	2,331	2,688	3,150	4,058	5,707
5	Desired level at 5 per cent	3,886	4,480	5,250	6,764	9,512
6	Amount available in GRF*	838	1,225	1,325	1,431	1,543
7	Percentage of GRF to outstanding Guarantees	1.08	1.37	1.26	1.06	0.81
8	Shortfall to minimum level (Row 4 – Row 6)	1,493	1,463	1,825	2,627	4,164
9	Shortfall to desired level (Row 5 – Row 6)	3,048	3,255	3,925	5,333	7,969

Source: Finance Accounts of the years concerned

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 had received ₹340 crore in 2018-19, ₹6 crore in 2020-21 and ₹17 crore in 2021-22 as Guarantee Commissions. These amounts were not transferred to GRF in 2019-20, 2021-22 and 2022-23 respectively as required.

Government informed (September 2023) that the contributions to GRF are being made keeping in view of Ways and Means position of the State Government. It also stated that there are not default cases in respect of Companies/Corporations/Autonomous Bodies, which have availed financial assistance from the Banks etc. on Government Guarantees. It further informed that efforts were on to fill the gap between short contribution and desirable level.

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 \gtrless 1,450 crore at the beginning of the year 2022-23. During the year, an amount of \gtrless 68 crore was credited into the State Compensatory Afforestation Fund and \gtrless 404 crore was disbursed out of the fund, leaving a balance of \gtrless 1,114 crore at the end of the year.

2.6.2.5 Rural Development Fund

Rural Development Fund (RDF) is part of the Development and Welfare Funds under Reserve Funds not bearing interest. RDF was created in accordance with Andhra Pradesh Rural Development Act 1996. The purpose of the fund was (i) to provide and accelerate

^{*} includes interest earned through investments

comprehensive Rural Development including construction of rural Roads and Bridges; (ii) to augment storage facilities for storing agricultural produce and (iii) for maintaining and strengthening of public distribution system.

The details of contribution to the fund and expenditure from out of it are shown in the table below:

Table 2.32: Operation of Rural Development Fund

(₹ in crore)

Sl. No.	Year	Opening Balance	Addition due to apportionment between Andhra Pradesh and Telangana	Contribution to the Fund	Expenditure from the Fund	Balance in the Fund
1	2018-19	1,285	0	145	0	1,430
2	2019-20	1,430	0	0	0	1,430
3	2020-21	1,430	0	0	0	1,430
4	2021-22	1,430	0	0	0	1,430
5	2022-23	1,430	0	0	0	1,430

Source: Finance Accounts of the respective years

It can be seen from the above that except a contribution of ₹145 crore during 2018-19, the fund was not operated at all despite availability of huge balance of ₹1,430 crore in the fund.

2.6.2.6 Central Road and Infrastructure Fund

The erstwhile Central Road Fund (CRF), under Deposits Accounts, has been renamed²² as the Central Road and Infrastructure Fund (CRIF). The CRIF is used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure, etc. In terms of the extant accounting procedure, the grants received by the State from the Centre are to be initially booked as Revenue Receipts under Major Head 1601. Thereafter, the amount received is to be transferred by the State Government to the Public Account under Major Head 8449 Other Deposits-Subventions from Central Road and Infrastructure Fund through functional Major Head(s).

During the year 2022-23, the State Government received grants of ₹275.89 crore towards CRIF and transferred the amount to MH 8449-00-103- Subventions form Central Road Fund. The State Government has incurred an expenditure of ₹128.11 crore and at the end of March 2023 the fund had a balance of ₹158.25 crore.

2.6.2.7 Building and Other Construction Workers Welfare Cess

The Government of India enacted the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) to levy and collect Cess for providing benefits to the workers.

²² GoI's Gazette notification dated 31 March 2018

During the year 2022-23, the Government collected ₹89 crore as Labour Cess and transferred ₹70 crore to the Building and Other Construction Workers Welfare Board. As of March 2023, an amount of ₹30.56²³ crore was lying in Deposit Accounts awaiting transfer to the Building and Other Construction Workers Welfare Board.

2.6.3 Funds outside Consolidated Fund / Public Account of the State and dedicated Funds

As per Article 266 (1) of the Constitution of India, subject to the provisions of Article 267, 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 case, funds/public monies were lying outside the Government Account as detailed below:

2.6.3.1 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 State²⁴. 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.

To effectively manage the fund and implement its activities, Government issued orders²⁵ 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 orders²⁶ specifying the quantum of contribution to the fund from salaries/ honorarium/

²³ includes ₹11.42 crore pertaining to previous years and ₹19.14 crore for the year 2022-23

²⁴ Preamble of EFS&T (For.I) Dept. G.O.Rt.No. 139 dt.16.12.2021

²⁵ Government of Telangana, EFS&T (For.I) Department, G.O.Rt.No.139 dt.16.12.2021

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

remuneration of public representatives²⁷, Works contracts²⁸, Constituency Development Fund²⁹, issue of licenses³⁰ and salaries of all categories of employees³¹. All the contributions would be credited into the Telangana Green Fund Account maintained in a Nationalised Bank viz., State Bank of India.

As per the information furnished by Principal Chief Conservator of Forests (PCCF) the fund had received ₹35 crore and incurred expenditure of ₹15 crore from out of it leaving balance of ₹20 crore as on 31 March 2023.

- The fund is not maintained in Public Account (i.e., in the Government accounts) but is kept outside in a Nationalised Bank. The PCCF stated (August 2023) that having regard to the fact that the bulk of the contribution to the fund would be voluntary, for reasons of operational flexibility and keeping in view the direct supervision by the State Level Committee, the fund is being maintained in a Bank account with State Bank of India. The reply is not acceptable as the Government orders issued at the time of establishing the Fund mentioned that the fund would receive a predefined portion of taxes, fees and other levies that the State Government imposes. Further, Government had also issued orders prescribing specific amounts to be deducted from various categories of Public Servants and Government servants as also from Works contracts, Registrations done by Registrations and Stamps Department, Issue and renewals of licenses, Student admissions etc.
- Further, there was no Legislative approval for the creation of such Fund. The PCCF stated (August 2023) that setting up of the Fund does not require approval of the State Legislature and is well in the domain of the Executive. However, the authority under which the Fund is created by the Executive is not provided.

Thus, 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.

2.7 Public Liability Management

Management of Public Liability is the process of establishing and executing a strategy for managing the Government's liabilities 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.

^{27 (}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

 $^{^{28}}$ 0.01 per cent

²⁹ 10 per cent

^{30 (}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

^{31 (}i) All India Services: ₹1,200 per annum; (ii) All State Government Gazetted and Non-Gazetted Employees, Teachers, Grants-in-Aid employees including Corporations, Societies, Universities and Institutions under the control of State Government: ₹300 per annum

2.7.1 Liability profile: Components

Total liabilities of State Government comprise (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 liabilities of the State Government at the end of March 2023 was ₹3,56,486 crore³². The trend of outstanding liabilities and ratio of Liabilities to Gross State Domestic Product during the period 2018-23 is given in the chart below:

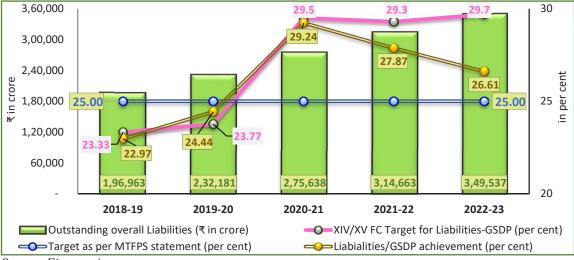


Chart 2.17: Trend of total outstanding liabilities

Source: Finance Accounts

Note: The figure of ₹2,75,638 crore in 2020-21 excludes ₹2,380 crore and the figures of ₹3,14,663 crore in 2021-22 and ₹3,49,537 crore in 2022-23, exclude ₹6,949 crore, which are received as back-to-back loans from GoI.

- The outstanding liabilities³³ grew by 11 *per cent* over the previous year and it has increased by ₹1,52,574 crore during the period 2018-23 *i.e.*, an increase by 77 *per cent*.
- As per the Medium-Term Fiscal Policy Statement, the State Government has set a target of limiting the Total outstanding liabilities to GSDP ratio to below 25 *per cent*. However, the State Government failed to limit the Total outstanding liabilities to GSDP ratio of 25 *per cent* and the ratio registered was at 26.61 *per cent*.
- The Fifteenth Finance Commission (XV FC) recommended for higher borrowing limit of around 29 *per cent* with a view to foster transparency and to avoid non-transparent Off-Budget liabilities. For the year 2022-23, the limit recommended specifically by XV FC was 29.70 *per cent*. After considering the Off-Budget liabilities, the Total outstanding liabilities ratio to GSDP would be 35.64 *per cent*, which is above the recommended target of the XV Finance Commission (details in *Paragraph 2.7.2*).

The component-wise liability trends of the State for the period of five years from 2018-23 are shown in the table below.

³² including ₹6,949 crore of back-to-back loans from GoI in lieu of GST compensation shortfall

³³ excluding back-to-back loans in lieu of GST compensation shortfall

Table 2.33: Component-wise Liabilities trends

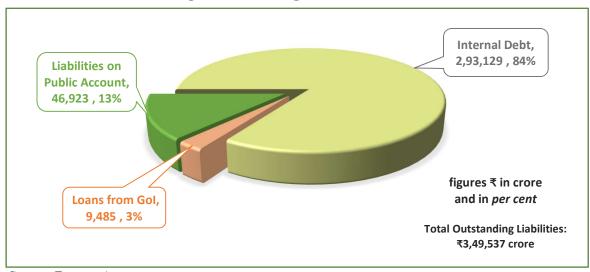
(₹ in crore)

Components of fiscal liability	2018-19	2019-20	2020-21	2021-22	2022-23
Total Outstanding Liability	1,96,963	2,32,181	2,75,638*	3,14,663*	3,49,537*
Public Debt					
Internal Debt	1,56,933	1,86,959	2,24,379	2,63,041	2,93,129
Loans from Government of India	8,231	7,999	7,794*	7,499*	9,485*
Public Account Liabilities	31,799	37,223	43,464	44,122	46,923
Small Savings, Provident Funds, etc.	10,117	10,900	11,845	12,912	14,962
Reserve Funds Bearing Interest	377	3,604	3,830	2,196	1,989
Reserve Funds not Bearing Interest	1,591	1,598	1,588	1,590	1,599
Deposits Bearing Interest	2,440	2,581	2,760	2,833	4,149
Deposits not Bearing Interest	17,274	18,540	23,441	24,591	24,224
Rate of growth of Total Outstanding Liability over previous year (percentage)	18.76	17.88	18.72	14.16	11.08
Gross State Domestic Product (GSDP)	8,57,427	9,50,090	9,42,814	11,28,907	13,13,391
Total Outstanding Liability/GSDP (per cent)	22.97	24.44	29.24	27.87	26.61
Borrowings and Other Liabilities (as per S	Statement 6	of Finance A	(ccounts		
Total Receipts	1,17,715	1,43,870	1,87,503*	1,96,373*	2,13,803*
Total Repayments	91,080	1,08,652	1,41,666	1,52,779	1,78,928
Net Funds available	26,635	35,218	45,837	43,594	34,875
Repayments / Receipts (percentage)#	77.37	75.52	75.55	77.80	83.69

Source: Finance Accounts

The ratio of outstanding liabilities/GSDP has decreased by 1.26 *per cent* when compared to previous year. The breakup of outstanding overall liabilities at the end of March 2023 is shown in the chart below:

Chart 2.18: Break up of outstanding liabilities at the end of March 2023



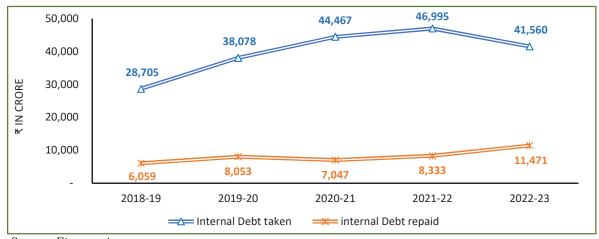
Source: Finance Accounts

^{*} This excludes back-to-back loans of ₹2,380 crore in 2020-21, ₹6,949 crore in 2021-22 and ₹6,949 crore in 2022-23 received in lieu of GST compensation shortfall which are not to be paid by the State from its sources.

[#] excluding Ways and Means Advances of ₹21,823 crore in 2018-19, ₹37,248 crore in 2019-20, ₹69,454 crore in 2020-21, ₹67,274 crore in 2021-22 and ₹82,823 crore in 2022-23 respectively, the percentages would be 72.22, 66.96, 61.17, 66.23 and 73.37 per cent respectively

The comparative trend of internal debt received and repaid are shown in chart below:

Chart 2.19: Comparative trend of internal debt taken and internal debt repaid



Source: Finance Accounts

Note: excluding Ways and Means Advances taken or repaid

The above graph indicates that the lesser borrowings were taken, and more repayment was done when compared to previous year.

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 the following table:

Table 2.34: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

S.No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Comp	osition of Fiscal Deficit					
1	Revenue Surplus (+) or Deficit (-)	4,337	(-)6,254	(-)22,298	(-)9,335	5,944
2	Net Capital Expenditure	(-)22,641	(-)16,859	(-)15,922	(-)28,874	(-)17,881
3	Net Loans and Advances	(-)8,640	(-)8,638	(-)10,810	(-)8,421	(-)20,619
4	Net Interstate Settlement	(-)5	(-)8	(-)8	(-)8	0
	Gross Fiscal Deficit	(-)26,949	(-)31,759	(-)49,038	(-)46,638	(-)32,556
Financ	ing Pattern of Fiscal Deficit					
1	Market Borrowings	22,184	30,697	38,782	39,256	31,814
2	Special Securities issued to National Small Savings Fund	(-)814	(-)827	(-)827	(-)827	(-)827
3	Loans from Financial Institutions and other loans	1,276	155	(-)535	233	(-)898
4	Loans from Government of India	(-)400	(-)232	2,175	4,273	1,985
5	Small Savings, PF, etc.	845	783	945	1,067	2,049
6	Deposits and Advances	3,100	1,406	5,081	1,223	949
7	Suspense and Miscellaneous	(-)660	297	(-)232	752	347
8	Remittances	115	7	(-)32	617	(-)466
9	Reserve Fund	1,530	4,353	774	(-)1,054	427
10	Net Contingency Fund	(-)2.01	(-)2.11	4.21	(-)0.05	0.05
11	Total	27,174	36,637	46,135	45,540	35,380
12	Increase (-) /Decrease (+) in Cash Balance	(-)225	(-)4,878	2,903	1,098	(-)2,824
Gro	ss Fiscal Deficit financed (11+12)	26,949	31,759	49,038	46,638	32,556

Source: Finance Accounts

Receipts and Disbursements under components financing the Fiscal Deficit for the year 2022-23 are detailed in the following table:

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

(₹ in crore)

Sl. No.	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	40,150	8,336	31,814
2	Special Securities issued to National Small Savings Fund	0	827	(-)827
3	Loans from Financial Institutions	1,410	2,308	(-)898
4	Loans from Government of India	2,501	516	1,985
5	Small Savings, PF, etc.	3,281	1,232	2,049
6	Deposits and Advances	82,241	81,292	949
7	Suspense and Miscellaneous	2,709	2,362	347
8	Remittances	429	895	(-)466
9	Reserve Funds	996	569	427
10	Net Contingency Fund	0.05	0	0
11	Overall Deficit	1,33,717	98,337	35,380
12	Increase (-) / Decrease (+) in Cash Balance			(-)2,824
13	Gross Fiscal Deficit			32,556

Source: Finance Accounts

In 2022-23, only 56 *per cent* of Market Borrowings were used for Capital Expenditure. Further, 55 *per cent* of Fiscal Deficit only accounted for Capital Expenditure.

Chart 2.20: Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings



Source: Finance Accounts

Ideally, Market borrowings should be utilised for creation of capital assets through Capital Expenditure. It can be seen that in 2018-19, the market borrowings was lesser than Capital expenditure indicating that market borrowings could have been fully utilised for creation of Capital Assets. However, during the past four years, Capital Expenditure is much lower than the Market Borrowings indicating that Market Borrowings were being utilised for purposes other than Capital Expenditure.

Further, the above chart as well as *Table 2.34* suggest that despite Revenue Surplus, Capital Expenditure is less than Market Borrowings, which were utilised for providing Loans and Advances. Substantial amounts of Loans and Advances are utilised for repayment of Off-Budget Borrowings/loans, as mentioned in earlier *Paragraph 2.5.3.3*.

The issue relating to Off-Budget Borrowings and their repayments are discussed in the succeeding paragraph.

2.7.2 Off-Budget Borrowings

Fiscal Responsibility and Budget Management (FRBM) Act and the Rules 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 place restrictions on the Government's revenue spending as well as borrowings during the year as well as outstanding total liabilities at the end of each financial year.

State Governments can borrow money within the territory of India, upon security of the Consolidated Fund of the State. The limits on such borrowings are regulated under Article 293(3) of the Constitution of India. The State Government is required to furnish to Government of India (GoI), the financial statements showing the estimates of receipts and repayments of all sources of borrowings, including Open Market Borrowings, other liabilities arising out of Public Account transfers, etc., based on which the GoI gives the consent for raising loans and fixes the borrowing ceiling for the State Government. However, State Governments bypass the Net Borrowing Ceiling by routing Borrowings outside budget through various State Government PSUs/ Corporations/ other Bodies despite being responsible for repayment of such loans would have an impact on the Revenue Deficit and Fiscal Deficit. Creating such liabilities, without disclosing them in the budget, raises questions both of transparency, and of inter-generational equity. Such off-budget borrowings are not taken into the disclosure statements in the budget documents or in the accounts, nor do these have Legislative approval.

Off-budget borrowings or off-budget financing generally refer to use of those financial resources by the Government for meeting expenditure requirements in a particular year or years, which are not reflected in the budget for that year/ those years for seeking grant/appropriation, hence remaining outside legislative control. They are financed through Government owned or controlled public sector enterprises or departmental commercial undertakings, which raise the resources through market borrowings on behalf of the Government. However, the Government is to repay the debt and/or service the debt from its budget. Therefore, off-budget borrowings /financing involve one, payment of interest on recurrent basis and second repayment of the borrowings from budget as and when it is due. Off budget borrowings also need to be distinguished from guarantees, which are contingent liability. All guarantees are not off budget arrangements. However, all off budget arrangements are either explicit payments or guarantees.

As per the State FRBM Act, the term 'Total Liabilities' shall also include borrowings by PSUs, SPVs and other equivalent instruments including guarantees given by the Government 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.

2.7.2.1 Non-Disclosure of OBB by State Government

Government of Telangana had in principle, intimated the State Legislature from 2016-17 to 2019-20 during presentation of Budget that it would implement six schemes and four projects through Extra-Budgetary Resources (EBR) / Off- Budget Borrowings (OBB). However, the State Government had neither detailed the quantum of such borrowings nor disclosed the names of the entities through which EBR/OBB was raised and other details in the budget Documents of the respective years.

When Entity-wise / Institution-wise details of OBB were sought for by audit specifically, the Government intimated (September 2023) audit to obtain the same from the Companies/Corporations concerned.

Non-disclosing complete details of Off-Budget Borrowings in the Budget documents was in contravention of the XV FC recommendations ibid.

Details of Schemes/Projects/Programmes/Entity for which State Government raised Off-Budget borrowings and details thereof furnished by the Companies/Corporations are given below:

Table 2.36: Details of Off-Budget Borrowings Project/Scheme wise

(₹ in crore)

Sl. No.	Scheme / Project / Programme	Year of Budget speech	Value of OBB as informed by the Govern- ment	Borrowing on behalf of Governme nt during the year#	Borrowing on behalf of the Government to the end of March 2023#	Value of Guarantees given by the Government @	Value of OBB considered (minimum of Col 6 and Col 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Mission Bhagiratha (Telangana Drinking Water Supply Corporation Limited)	2016-17, 2017-18	NF	Nil	Nil	22,428	22,428
2	Two Bed Room Housing (Telangana State Housing Corporation Limited)	2016-17, 2017-18, 2018-19	NF	Nil	Nil	7,731	7,731
3	Micro Irrigation (Telangana State Horticulture Development Corporation	2017-18	NF	Nil	132	219	132

Sl. No.	Scheme / Project / Programme	Year of Budget speech	Value of OBB as informed by the Govern- ment	Borrowing on behalf of Governme nt during the year#	Borrowing on behalf of the Government to the end of March 2023#	Value of Guarantees given by the Government	Value of OBB considered (minimum of Col 6 and Col 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
4	Musi River Front (Musi Riverfront Development Corporation Limited)	2017-18	NF	Nil	Nil	NA	
5	Sheep Breeding Scheme (Telangana State Sheep and Goat Development Co-operative Federation Limited)	2018-19	NF	Nil	3,833	1,314	1,314
6	Fish Farming (Telangana Fishermen Co-operative Federation Limited)	2018-19	NF	Nil	600	275	275
7	Kaleshwaram Project (Kaleshwaram Irrigation Project Corporation Limited)	2019-20	NF	7,137	79,205	64,652	64,652
8	Palamuru-Rangareddy, Sitarama and Devadula (Telangana State Water Resources Infrastructure Development Corporation Limited)	2019-20	NF	1,112	15,284	12,953	12,953
							1,09,485

Source: Budget speeches of years concerned, information furnished by the institutions concerned and Finance Accounts

NF: Not furnished; NA: Not Available

Apart from the above schemes and entities, some PSUs/ABs have informed audit that they have borrowings on behalf of the Government during the current year or earlier years. The details are hereunder:

Table 2.37: Details of OBBs informed by the entities

(₹ in crore)

Sl. No.	Institution	Borrowing on behalf of Government during the year 2022-23	Borrowing on behalf of the Government to the end of March 2023	Value of Guarantees given by the Government [®]	Value of OBB considered (minimum of Col 4 and Col 5)
(1)	(2)	(3)	(4)	(5)	(6)
1	Telangana Power Finance Corporation Limited	Nil	2130	679	679
2	Telangana State Seeds Development Corporation	0.15	398	NA	398*
3	Telangana Urban Finance and Infrastructure Development Corporation	NF	NF	1,236	1,236
4	Telangana State police Housing Corporation	107	426	255	255
5	Hyderabad Metro Rail Limited	Nil	294	200	200

[#] As informed by the institution/entity concerned; @ As per Finance Accounts

Sl. No.	Institution	Borrowing on behalf of Government during the year 2022-23	Borrowing on behalf of the Government to the end of March 2023	Value of Guarantees given by the Government [®]	Value of OBB considered (minimum of Col 4 and Col 5)
(1)	(2)	(3)	(4)	(5)	(6)
6	Telangana State Industrial Infrastructure Corporation Limited	Nil	Nil	262	262
7	Hyderabad Metropolitan Water Supply and Sewerage Board	Nil	Nil	2,567	2,567
8	Telangana State Dairy Development Cooperative Federation Limited	Nil	Nil	185	185
					5,782

Source: Information furnished by the institutions concerned and Finance Accounts

NF: Not furnished during the current year but informed in earlier years

The State Government has also facilitated ₹17,829 crore as further loans to Entities, i.e. ₹8,696 crore towards interest payment, ₹3,531 crore towards principal repayment and ₹5,602 crore without any details whether it is interest payment or principal repayment during 2022-23 which are relatable to OBB.

A case study on Off-Budget Borrowings in respect of Telangana State Road Development Corporation is also detailed hereunder:

Box 2.4: Temporary transfer of Road and Bridge works to Telangana State Road Development Corporation for making payments by raising loans from Market

Government sanctioned (November 2014) 792 road and bridge works³⁴ costing ₹8,263 crore for completion during 2014-17 in a phased manner with the budget provision.

Subsequently, the Government adopted (June 2016) the Andhra Pradesh Road Development Act, 1998 and established (February 2017) the Telangana State Road Development Corporation (TSRDC). The Government increased (July 2017) maximum borrowing limit of TSRDC from ₹1,000 crore to ₹5,000 crore.

The Government temporarily entrusted works of 981 roads³⁵ to TSRDC with instructions to revert the assets back to Roads and Buildings (R&B) Department after completion. Government also advised the TSRDC to meet the financial commitment of the same, and

[@] As per Finance Accounts

^{* ₹398} crore is considered as per the information given by the entity though the Government did not disclose guarantees given. Since, Government has received (December 2020) Guarantee Commission from Telangana State Seeds Development Corporation this amount is considered

³⁴ (i) 403 roads works of widening single roads to double roads with a cost of ₹6,289 crore; (ii) 389 bridge works in place of dilapidated bridge and unbridged crossings with a cost of ₹1,974 crore

^{35 (}i) 930 works including 792 works mentioned above in November 2017 and (ii) another 51 works in December 2017

permitted TSRDC, from time to time³⁶, to approach Banks / Financial institutions for loans with Government Guarantee. Accordingly, TSRDC has drawn a loan of ₹4,167 crore from two consortia of Banks from 2017-18 to 2021-22. The Guarantees given by the Government to TSRDC to the end of March 2023 stood at ₹3,362 crore.

 According to clause 2.3.8.3 of Reserve Bank of India Master circular on Loans and Advances, Banks/Financial Institutions (FIs) are free to finance technically feasible, financially viable and bankable projects undertaken by public sector undertakings. However, term loans by the Banks/FIs should not be in lieu of or to substitute budgetary resources. The term loans could supplement budgetary resources if such supplementing was contemplated in project report.

In the present case, the initial plan in November 2014 was to take up the work with budget provisions in three financial years and there were no plans of supplementation from the Banks/FIs. Thus, the temporary entrustment of works to TSRDC in November 2017 i.e., after three years of sanction was to enable TSRDC to make payments to the ongoing works taken up.

• Clause 2.3.8.3 mentioned above also stipulated that viability and bankability of projects should be ensured with revenue stream from the project being sufficient to take on the debt-servicing obligations and that the repayment/servicing of debt is not out of budgetary resources.

These were the works originally taken up by the Roads and Buildings Department from budgetary support and are temporarily transferred to TSRDC to arrange for payments and hence do not generate any direct revenues to the TSRDC. In fact, TSRDC has itself informed (August 2023) that it can establish toll gates as per the TSRDC Act and the proposal is under consideration at the Government level. This proves that the TSRDC, so far, did not have any revenue resources to repay the borrowings taken for payment of bills in respect of works transferred from the Government. In this regard, it is interesting to note that during the previous year 2021-22, the State Government has provided an amount of ₹100 crore as 'Assistance to TSRTC towards payment of Toll fee to TSRDC' in the form of Grants-in-Aid, much before the acceptance of proposal for establishment of toll gates and collection of tolls.

The TSRDC informed (August 2023) audit that the Government has assisted ₹969 crore towards principal repayment and ₹1,284 crore towards interest payment.

In view of the FRBM definition of 'Total liabilities', as mentioned above, the borrowings taken by TSRDC with the Government Guarantee shall fall within the ambit of Total liabilities of the Government. Thus, the value of Guarantees *i.e.*, ₹3,362 crore given by the Government is considered as Off-Budget Borrowing.

Thus, the total Off-Budget Borrowing of Telangana can be assessed as ₹1,18,629 crore to the end of March 2023.

³⁶ ₹600 crore (October 2017), ₹600 crore (December 2017), ₹3,000 crore (April 2018)

Taking into account OBB of ₹1,18,629 crore at the end of March 2023, total outstanding liabilities of the State would work out to ₹4,68,166 crore (₹3,49,537 crore + ₹1,18,629 crore). The ratio Total Outstanding Liabilities to GSDP would be $35.64 \ per \ cent^{37}$ (₹4,68,166 crore on GSDP of ₹13,13,391 crore) which is far above the target prescribed by XV FC (29.70 per cent) including Off-Budget Borrowings.

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 State Legislature.

Audit recommends that the State Government may fully disclose all the details of Off-Budget Borrowings in the budget documents as recommended by the XV FC. Government 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 comprises market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by Central Government etc. 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 the following Chart:



Chart 2.21: Maturity profile of State Public Debt

Source: Finance Accounts

The maturity profile of outstanding stock of Public Debt as on 31 March 2023 showed that 32 *per cent* (₹ 98,703 crore) of the total outstanding public debt is to be repaid in next seven years.

Out of $\leq 40,150$ crore market borrowings³⁸ taken during 2022-23, repayment schedule of $\leq 29,650$ crore *i.e.*, 74 *per cent* of borrowings ranges from the year 2033 to 2042. There is a considerable variation with reference to previous year when nearly 35 *per cent* of borrowings had longer maturity schedules.

Market Borrowings are taken from Reserve Bank of India and accounted for under Major Head 6003 – Minor Head 101

³⁷ i.e., Outstanding total liabilities ₹3,49,537 crore as per accounts plus Off-Budget Borrowings of ₹1,18,629 crore estimated in Audit totalling to ₹4,68,166 crore on GSDP of ₹13,13,391 crore

The interest rate of borrowings during the year ranged from 7.45 per cent to 8.02 per cent. It is important to note that the interest rates are similar for shorter and longer maturity schedules.

2.7.3.1 Repayment of Internal Debt and Interest payment in the next ten years

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 2023, 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 below:

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	20,825	30,166
2	2024-25	13,118	19,945	33,063
3	2025-26	15,850	18,842	34,692
4	2026-27	19,786	17,588	37,374
5	2027-28	17,050	16,102	33,152
6	2028-29	4,461	14,858	19,319
7	2029-30	2,449	14,541	16,990
8	2030-31	4,500	14,353	18,853
9	2031-32	7,311	14,032	21,343
10	2032-33	8,587	13,479	22,066
	Total	1,02,453	1,64,565	2,67,018

Source: Finance Accounts

As can be seen from the above table, the State Government will have to repay ₹2,67,018 crore as principal and interest on the Market borrowings in the next ten years by 2032-33.

Apart from this, State Government will also have a liability to repay ₹19,210 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	5,551	3,926	9,477
2	Life Insurance Corporation of India	36	NA	36*
3	General Insurance Corporation of India	7	NA	7*
4	UDAY Bonds	8,031	NA	8,031*
5	National Bank for Agricultural and Rural Development	5,526	NA	5,526*
6	National Co-operative Development Corporation	59	NA	59*
	Total	19,210	3,926	23,136

Source: Finance Accounts NA: Information not available;

^{*} does not include interest payable as details of interest rates are not available

The above information suggests that the State Government will have to mobilize substantial amount (₹2,86,228 crore) in the next ten years for servicing of public debt and this could put significant pressure on the State finances.

2.7.4 Debt Sustainability

Debt sustainability analysis has been carried out based on fiscal and debt parameters; Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of analysis are given in the following paragraphs:

2.7.4.1 Debt Sustainability according to generally accepted indicators

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 debt obligations and the capacity to maintain balance between costs of additional borrowings, with returns from such borrowings. The following table 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	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt* (as on 31st March of the year)	1,65,164	1,94,958	2,32,173\$	2,70,540\$	3,02,614\$
Rate of Growth of Outstanding Public Debt	15.57	18.04	19.09	16.53	11.86
GSDP	8,57,427	9,50,090	9,42,814	11,28,907	13,13,391
Rate of Growth of GSDP	14.32	10.81	(-)0.77	19.74	16.34
Public Debt/GSDP (in per cent)	19.26	20.52	24.63	23.96	23.04
Maturity profile of repayment of Public Debt – for next seven years	76,262	89,228	1,06,468	1,05,242	98,703
Average interest Rate of Outstanding Public Debt (per cent)	8.17	7.99	7.89	7.62	7.61
Percentage of Interest payment to Revenue Receipts	12.41	14.03	16.69	15.03	13.69
Percentage of Public Debt Repayment to Public Debt Receipts during the year	66.85	59.72	54.47	59.32	76.73
Net Public Debt available to the State#	9,660	15,407	20,374	19,205	10,253
Net Public Debt available as <i>percentage</i> to Public Debt Receipts during the year	33.15	40.28	45.53	40.68	23.27
Primary deficit (-) or Primary surplus (+)	(-)14,363	(-)17,373	(-)32,197	(-)27,447	(-)10,735
Debt Stabilisation (Quantum spread + Primary Deficit)	(-)8,417	(-)13,747	(-)44,340	3,476	15,773

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 during the year

S Outstanding Public Debt does not include ₹2,380 crore received to the end of 2020-21, ₹6,949 crore received to end of 2021-22 and 2022-23 as back-to-back loans given by GoI in lieu of GST compensation

[•] The growth rate of outstanding Public Debt ranged between 12 per cent to 19 per cent over the past five years. This year, the growth rate decreased to 12 per cent when compared to the preceding year (17 per cent). The ratio of outstanding Public Debt to GSDP which was increasing year after year until 2020-21, shown a decreasing trend in the last two years.

- The average interest rate of outstanding public debt has been decreasing marginally during the past five years from 8.17 *per cent* in 2018-19 to 7.61 *per cent* in 2022-23. However, in absolute terms, interest payments increased significantly from ₹12,586 crore in 2018-19 to ₹21,821 crore in 2022-23.
- After providing for Public Debt Repayments (₹94,810 crore³⁹) and interest payments (₹21,821 crore), the Net Public Debt available for use was ₹10,253 crore (17 per cent). The ratio of Revenue Receipts to total outstanding Public Debt decreased from 61 per cent in 2018-19 to 53 per cent in 2022-23.

2.7.4.2 Debt Sustainability as per Domar model

There are various approaches at assessing the debt sustainability, one such approach is Domar⁴⁰ model. The Domar model states that the necessary premise for ensuring stability of public indebtedness is that the interest rates for Government borrowings should not exceed the growth rate of GDP/GSDP. The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balance are as follows:

Domar gap: g-r (in which, g: real economic growth rate; r: real interest rate without taking inflation in to account)	s<0 (Primary Deficit or PD) (s: Primary Balance)	s>0 (Primary Surplus or PS) (s: Primary Balance)
g-r > 0 (strong economic growth)	Real economic growth exceeds real interest rate provided that the PD registered is stable and consistent with debt/GSDP then the debt is sustainable.	Real economic growth exceeds real interest rate and records PS then debt/GSDP ratio shall decrease, and debt tends towards stable level therefore sustainable.
g-r < 0 (slow economic growth)	Real economic growth is lower than real interest rate and records PD. Then debt tends to increase without limitations and becomes unsustainable.	Real economic growth is lower than real interest rate and records PS. Then debt is no longer sustainable if it is not decreased in the medium or long run

The results of the analysis by applying above model on Telangana State are shown in the table below:

Table 2.41: Debt Sustainability as per Domar model

Year	Real Growth rate (g)	Real Interest rate (r)	Domar gap (g-r)	Primary Deficit (-) or Surplus ((+) (s) (₹ in crore)	Assessment
2018-19	9.15	5.55	3.60	(-)14,363	g-r>0 and s<0; Hence, Public Debt
2019-20	5.35	3.44	1.91	(-)17,373	will converge to a stable level greater than zero
2020-21	(-)6.04	(-)0.07	(-)5.97	(-)32,197	g-r<0 and s<0; Hence, Public Debt will increase indefinitely, without converging to a stable level
2021-22	11.97	0.54	11.43	(-)27,477	g-r>0 and s<0; Hence, Public Debt will converge to a stable level
2022-23	7.76	-1.00	8.76	(-)10,735	greater than zero.

Source: Finance Accounts

³⁹ ₹94,810 crore is including Ways and Means Advances (WMA) repayment; excluding WMA of ₹82,823 crore, Public Debt Repayments would be ₹11,987 crore

⁴⁰ E.D. Domar, 1914-1997

During the last five years (2018-2023), the State always had a Primary Deficit. During the Covid-19 year (2020-21), the Domar gap had become negative and in all other years it remained positive. Thus, as per the Domar model analysis of Debt sustainability, it can be construed that the public debt would converge to a stable level greater than zero.

However, the trends of strong economic growth (expressed as g-r>0) by observing Domar gap in the year 2021-22 and 2022-23 cannot be generalised. Further, during the period 2021-2023 a substantial portion (80 to 84 *per cent*) of the public debt receipts were being used for repayment of loans taken in the earlier years, thereby implying that economic growth is not robust enough to service the debt.

Moreover, other factors such as Public Account liabilities, Off-Budget borrowings and any other un-inventoried losses of revenue also have to be reckoned which make the debt sustainability of the State unstable.

2.7.4.3 Debt Sustainability in terms of compliance of Macro-Fiscal parameters of FRBM targets

Details of the achievements vis-à-vis targets set in the Medium-Term Fiscal Policy Statement (A: Fiscal Indicators – Rolling Targets) (MTFPS) are shown below:

Fiscal parameters		Achievement vis-à-vis targets set in MTFPS				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) or Surplus (+) (₹ in crore) as a <i>percentage</i>	Target	4.21	1.81	3.13	3.92	1.95
of Total Revenue Receipts	Achievement	4.28	(-)6.10	(-)22.10	(-)7.32	3.73
Fiscal Deficit (₹ in crore) (as a percentage of GSDP)	Target	3.25 per cent	3.25 per cent (+) ₹1,435 crore*	4.75 per cent#	4.00 per cent	5.00 per cent [@]
	Achievement	3.14 per cent	3.19 per cent (+) 1,435 crore	5.20 per cent	4.13 per cent	2.48 per cent
Ratio of Total Outstanding	Target	25.00	25.00	25.00	25.00	25.00
Liabilities to GSDP (in per cent)	Achievement	22.97	24.44	29.24	27.87	26.61
Guarantees in terms of percentage of Revenue Receipts	Target	90	200 ^{\$}	200	200	200
of the previous year	Achievement	87	88	102	134	156

Table 2.42: Debt Sustainability in compliance with MTFPS

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 Year2019-20.

^{**} 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)

[®] In view of the extra borrowing space allowed by XV Finance Commission, State Government made amendment to State FRBM act increasing the Fiscal Deficit target to five per cent of the GSDP for the year 2022-23

^{\$} This limit was increased (September 2020) from 90 per cent to 200 per cent through TSFRBM (Amendment) Act, 2020

- The State could not achieve Revenue Surplus for three consecutive years from 2019-20 to 2021-22. However, it registered Revenue Surplus of ₹5944 crore during the current year 2022-23. Effectively, Revenue Surplus is only ₹1,680 crore (Reference to *Paragraph 1.8*).
- The State could not achieve Fiscal Deficit targets in 2020-21 and 2021-22, both of which were partially affected by Covid-19 pandemic. However, it could achieve the target in the current year.
- The State was not able to achieve the target in respect of Total outstanding liabilities to GSDP ratio for the past three years continuously. State's inability to achieve this target raises possible risk against the Debt Sustainability.
- The State was able to achieve targets in respect of the Guarantees with reference to Revenue Receipts of the previous year. However, this should be viewed in the backdrop that the State Government raised this limit from 90 *per cent* to 200 *per cent* in September 2020.
 - Further, such increase in the limit of Guarantees is to be juxtaposed with the fact that the Government has been implementing major flagship projects / schemes through Off-Budget Borrowings raised by Public Sector Undertakings / Special Purpose Vehicles with Government Guarantees. Since, the onus of servicing such Off-Budget Borrowings is being taken over by the State Government in the past few years, the Debt Sustainability of the State is to be comprehended in tandem with this fact.
- The issue of Off-budget borrowings is discussed in the **Paragraph 2.7.2**. Considering the off-Budget borrowings (OBB) of ₹1,18,629 crore and other liabilities, which are being serviced out of the State Budget, the ratio of Debt to GSDP would be 35.64 *per cent*, which is 10.64 *per cent* above the set target of 25 *per cent* as per the TSFRBM Act. This is also 5.94 *per cent* above the limit (29.70 *per cent*) prescribed by the XV Finance Commission.

Overall review of Debt Sustainability, in terms of generally acceptable indicators, suggests that the net Public Debt available to the State Government would be negative after considering out go on servicing of Off-Budget Borrowings. This may put significant pressure on the State finances and may push the debt sustainability of the State to an undesirable level.

In terms of compliance of Macro-Fiscal parameters of FRBM targets, the Debt Sustainability scenario has improved in 2022-23. However, this should be viewed in conjunction with huge Guarantees given, majorly towards Off-Budget Borrowings. Moreover, Government was also not contributing to the Statutory Funds like Consolidated Sinking Fund intended for amortisation of market borrowings and Guarantee Redemption Fund intended to meet the obligations on account of Guarantees.

Further, as mentioned in *Paragraph 2.7.1.1*, substantial portion of market borrowings taken by the Government were utilised for providing Loans and Advances to PSUs/SPVs/ABs for servicing (principal and interest) of Off-Budget Borrowings. This is not healthy practice from the perspective of Debt Sustainability.

2.7.4.4 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 the following table:

Table 2.43: Utilisation of borrowed funds

(₹ in crore)

S.No.		2018-19	2019-20	2020-21	2021-22	2022-23
1	Total Borrowings	1,17,715	1,43,870	1,85,123#	1,91,804#	2,13,803
2	Repayment of borrowings (Principal)	91,080	1,08,652	1,41,666	1,52,779	1,78,928
3	Net Capital Expenditure	22,641	16,859	15,922	28,874	17,881
4	Net Loans and Advances	8,640	8,638	10,810	8,421	20,619
5	Portion of Revenue Expenditure that was met out of balance borrowings (=1-2-3-4)	(-)4,646	9,721	16,725	1,730	(-)3,625

Source: Finance Accounts

The portion of Revenue Expenditure that was met out of net available borrowed funds has resulted in negative figure which indicates that there was Revenue Surplus during the year which could be utilised for Capital Expenditure.

Considering interest payments of ₹21,821 crore and repayments of ₹1,78,928 crore the borrowings available for utilisation on capital expenditure/Loans and advances would be ₹13,054 crore.

Trends of utilisation of borrowed funds are shown in the chart below:

110.00 6.76 9.03 0.90 100.00 4.39 9.64 90.00 6.00 15.05 19.23 80.00 11.72 8.60 70.00 60.00 83.69 79.65 75.52 77.37 50.00 76.53 .⊑ 40.00 30.00 14.48 14.38 11.93 11.36 20.00 10.36 10.00 0.002022-23_ **-1.70** 2018-19 -3.95 2019-20 2020-21 2021-22 -10.00 Portion of Revenue expenditure met out of net available borrowings Net loans and advances Net capital expenditure Repayment of earlier borrowings Net Debt available as per cent to Debt Receipts

Chart 2.22: Trend of utilisation of borrowed funds

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

It can be seen from above that the utilisation of borrowed funds towards Capital Expenditure has decreased, while utilisation for providing Loans and Advances has increased. The increase in share of repayment of earlier borrowings is due to Ways and Means Advances.

2.7.4.5 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 2018-23 are shown in the following table:

Table 2.44: Guarantees given by the State Government

(₹ in crore)

S. No.		2018-19	2019-20	2020-21	2021-22	2022-23
1	Revenue Receipts during the preceding year	88,824	1,01,420	1,02,544	1,00,914	1,27,469
2	Ceiling applicable to outstanding value of Guarantees including interest	79,942	2,02,840	2,05,088	2,01,828	2,54,938
3	Outstanding value of Guarantees including interest	77,713	89,601	1,05,007	1,35,283	1,98,244

Source: Finance Accounts

TSFRBM Act, 2005 stipulated that 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 (₹1,98,244 crore) at end of March 2023 stood at 156 *per cent* of total Revenue Receipts of the preceding year (i.e., ₹1,27,469 crore in 2021-22) which is within the enhanced limit.

Out of the total guarantees, 90 per cent of the Guarantees pertained to only five entities viz., (i) Kaleshwaram Irrigation Project Corporation Limited mainly for implementation of Kaleshwaram Project (₹64,652 crore), (ii) Telangana State Civil Supplies Corporation (₹50,000 crore), (iii) TS DISCOMS (₹27,852 crore), (iv) Telangana Drinking Water Supply Corporation Limited for implementation of Mission Bhagiratha (₹22,428 crore), and (v) Telangana State Water Resources Infrastructure Development Corporation Limited (₹12,953 crore).

Out of the 20 guarantees worth ₹1,98,244 crore, the State Government disclosed 19 guarantees worth ₹1,32,244 crore in the Budget documents presented to the Legislature (refer to *sub-para (i)* below). Out of these, 15 guarantees worth ₹1,18,320 crore (60 *per cent*) are related to institutions with Off-Budget Borrowings,

(i) Incompleteness of Statement of Guarantees presented by State Government to the Legislature

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.

• The Government did not include guarantees given to the Telangana State Civil Supplies Corporation (valuing to ₹50,000 crore) as required under 'Indian Government Accounting Standards (IGAS) 1 – Guarantees' given by the Government Disclosure requirements.

- Further, value of guarantees disclosed in respect of TS DISCOMs was found short by ₹16,000 crore as the Government disclosed guarantees only to an extent of ₹11,852 crore.
- Telangana State Seeds Development Corporation Limited (TSSDCL) has informed audit that it had borrowed ₹398 crore to the end of March 2023 on behalf of the Government and the same along with interest of ₹38 crore has not been reimbursed by the Government. However, there was no mention of this in the list of entities in Statement of Guarantees presented by the Government to the Legislature. In fact, TSSDCL has also remitted a Guarantee Commission of ₹6 crore in December 2020 to Government Account.

(ii) Non-compliance to the instructions while providing Guarantees

The erstwhile Government of Andhra Pradesh issued (September 2003) instructions⁴¹ to be followed while providing Guarantees. Compliance of these instructions were verified:

• Government Order stipulated that the Administrative Departments in Secretariat and Heads of Departments shall evaluate the fiscal risk and classify⁴² the Guarantees as direct liability (100 per cent risk), high risk (75 per cent), medium risk (50 per cent), low risk (25 per cent) and very low risk (5 per cent).

The Finance Department, in the Statement of Fiscal Policy classified (February 2023) Guarantees as under:

Table 2.45: Categorisation of Guarantees by State Government

(₹ in crore)

Sl. No.	Category	Amount
1	Direct liability	0
2	High risk	0
3	Medium risk	38,962
4	Low risk	74,361
5	Very low risk	15,920
	Total	1,29,243*

Source: Statement of Government Guarantees placed before Legislature along with budget documents in February 2023

Government in Finance Department has stated (September 2023) that the Heads of the Departments shall evaluate the fiscal risk of the guarantees based on the parameters prescribed. However, it did not provide any documentation to audit regarding evaluation of such risk assessment. Since, 15 Guarantees worth ₹1,18,320 crore are related to Off-Budget Borrowings, they should have been classified as Direct liability with 100 per cent fiscal risk. However, Government classified all the guarantees as having medium to very low risk.

^{*} In addition to the Guarantees disclosed in the Budget Volume V/2, State Government has informed that it had provided additional Guarantees of ₹3,000 crore to TSSPDCL from 01 January 2023 to 31 March 2023. Further, guarantees worth ₹66,000 crore were not disclosed by the Government as mentioned in sub-para (i) above, which were taken into Finance Accounts. Hence, there is a difference between Finance Accounts and Budget documents.

⁴¹ G.O.Ms.No.446, dated 29 September 2003

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 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 ₹991.22 crore⁴³ was to be received by the Government to the end of March 2023 from 20 entities. However, the Government assessed only ₹67 crore as receivable from only two entities⁴⁴.

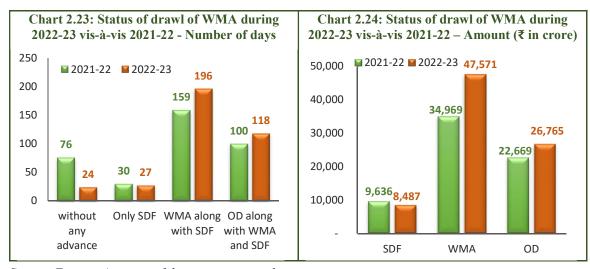
No Guarantee Commission or fee was received during the year.

2.7.4.6 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 ₹608.97 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 the following charts:



Source: Finance Accounts of the years concerned

The number of days (341) where the State Government depended on WMA facilities has increased when compared to previous year (289), indicating a higher dependency on Ways and Means Advances. In fact, the Government resorted to WMA for almost entire year, except 24 days. The number of days with WMA along with SDF as also number of days depending on OD along with WMA and SDF have increased over previous year.

⁴³ calculated at a rate of 0.50 *per cent* on the total guaranteed amount of ₹1,98,244 crore

⁴⁴ ₹51 crore from TS DISCOMs and ₹16 crore from Telangana State Housing Corporation

A similar trend can be observed in monetary terms also. The value of all WMA advances during the year was ₹82,823 crore, which is much higher than the previous year (₹67,274 crore). The value of only SDF has decreased when compared to previous year. It however, increased considerably in respect of WMA and OD over previous year.

State Government's dependency on WMA for day-to-day activities has been increasing over the past few years. During the last five years, the quantum of the total amount of the advances taken increased significantly by 280 *per cent* (₹21,823 crore in 2018-19 and ₹82,823 crore in 2022-23). Consequently, interest payments on drawl of WMA (including SDF and OD) during 2022-23 was ₹94 crore as against ₹15 crore in 2018-19, indicating a significant increase of 527 *per cent*.

(ii) Investment of Cash Balances

The State Government invests its surplus cash balance in short and long-term Government of India 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 2023 amounted to ₹10,918.76 crore including Deposits with RBI (₹35 crore), investment in cash balance investment account (₹2,283 crore) and investment in earmarked funds (₹8,600 crore) *viz.*, Sinking Fund (₹7,053 crore) and Guarantee Redemption Fund – Investment Account (₹1,543 crore). The following table 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 2022	Closing balance on 31 March 2023				
A. General Cash Balance						
Cash in treasuries						
Deposits with Reserve Bank of India	63.82	34.78				
Deposits with other Banks						
Remittances in transit – Local						
Total	63.82	34.78				
Investments held in Cash Balance investment account	55.45	2,283.41				
Total (A)	119.27	2,318.19				
B. Other Cash Balances and Investments						
Cash with departmental officers viz., Public Works, Forest Officers						
Permanent advances for contingent expenditure with department officers	0.40	0.40				
Investment from earmarked funds	7,975.19	8,600.17				
Total (B)	7,975.59	8,600.57				
Total (A + B)	8,094.86	10,918.76				
Interest realised	0.46	0.00				

Source: Finance Accounts

The cash balance investments of the State during the period 2018-23 are shown below.

Table 2.47: Cash Balance Investment Account

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
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
2022-23	55.45	2,283.41	2,227.96	0.00

Source: Finance Accounts

Interest earned from the investments made in Government of India Securities and Treasury Bills is decreasing year on year from 2018-19 onwards and during 2022-23, the State Government did not receive any interest.

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 2023, 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 four 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 90 institutions⁴⁵.

The Ministry of Home Affairs (MHA) has constituted a dispute resolution sub-committee to resolve bilateral issues between the successor States. The sub-committee suggested to carry out the de-merger in three phases viz., (i) 53 Public Sector Undertakings (PSUs) for which there was no difference of opinion, (ii) 15 PSUs which are agreeable to Telangana State and not to Andhra Pradesh and (iii) 23 institutions, which are agreeable to Andhra Pradesh and not to Telangana.

excepting Andhra Pradesh State Financial Corporation, the de-merger plan of which was sent Ministry of Finance in January 2016 by successor State of Andhra Pradesh. The State Government has informed (September 2023) that it had communicated its objections in respect of 23 institutions to the Ministry of Home Affairs (MHA) and same is under examination by MHA.

2.9 Conclusion

Revenue Receipts of the State have increased considerably. Despite increase in Revenue Expenditure the State was able to register a Revenue Surplus after a gap of three years.

State Government substantially resorted to Public Debt for its resources. State's dependency on Public Debt is impacting the application of funds. Nearly one third of the resources were utilised for repayment of Public Debt. However, for the second consecutive year, the share of Public Debt receipts in the total receipts was decreased indicating lesser dependency on borrowing than previous year.

The share of Tax Revenue in total receipts has increased over previous year. State's Own Tax Revenue, which marginally decreased during Covid-19 year (2020-21), rose significantly in the subsequent years. Almost all the components of the State's Own Tax Revenue registered a notable growth. Goods and Services Tax, Taxes on Sales, Trade etc., Stamp Duty and Registration Fees, Taxes on Vehicles have shown noticeable growth.

The share of Non-Tax Revenue has nearly doubled over previous year. This is due to the huge increase in Miscellaneous General Services and Non-Ferrous Mining and Metallurgical Industries. The increase in respect of latter was due to remittance of arrears as well as advance payment of Royalty charges from Singareni Colleries Company Limited. The sources and nature of remittance in respect of Miscellaneous General services remained incomplete as remittances were classified as 'Other Receipts'. Huge receipts without proper classification affects transparency in the accounts. The lapsed Loans provided to Telangana Scheduled Castes Cooperative Development Corporation Limited and Telangana Scheduled Tribes Cooperative Finance Corporation Limited in 2018-19 were credited to Government Account as Non-Tax Revenue under Revenue Receipts resulting in inflation of Revenue surplus.

Grants-in-Aid from Government of India increased by more than half in 2022-23 as compared to the previous year, mainly on account of receipt of Grants for Centrally Sponsored Schemes. Main Grants from Government of India were in respect of Sarva Shiksha Abhiyan and Mahatma Gandhi National Rural Employment Guarantee Act.

Overall, the State was able to mobilise the Revenue as projected by Fifteenth Finance Commission in respect of both Tax Revenue and Non-Tax Revenues. But it could not achieve its budget estimates in respect of Non-Tax Revenue as they were overestimated despite huge increase from 'Other Receipts'.

On expenditure side share of Revenue expenditure grew marginally. This was mainly due to 'Taking over of DISCOM's losses under UDAY' and higher interest payments. The share of interest payments in committed expenditure and Revenue expenditure

continued to increase. During the past five years, the highest share in Revenue expenditure was on Aasara Pensions in the Social Sector and Agriculture in the Economic Sectors. Government continued to provide 'Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied Subsidy' in the form of subsidy as well as in the form of Grants-in-Aid. Government's spendings are increasingly taking the form of Grants-in-Aid.

Recommendations of the State Finance Commission are yet to be implemented. Delay in appointment of members to the State Finance Commission and subsequent delay in acceptance and implementation of the recommendations results in release of funds without relevant recommendations apart from non-compliance to the Constitutional mandate.

The share of Capital expenditure was least during the past five years. There was a huge drop in Government investments when compared to the previous year as Government provided Loans and Advances to the institutions related to its Off-Budget Borrowings instead of investments. Increase in Capital Expenditure is noted in construction of Civil Works under Samagra Shiksha, Buildings for Secretariat, Constituency Development Programme and Hospitals and Dispensaries. In Irrigation, the Palamuru-Ranga Reddy and Kaleshwaram Projects accounted for major Capital expenditure during the past five years. 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 projects. Return on Investments continued to be very low.

The share of Loans and Advances given was high mainly on account of debt servicing of Off-Budget Borrowings to institutions like Kaleshwaram Irrigation Project Corporation Limited, Telangana State Water Resource Infrastructure Development Corporation Limited and Telangana Drinking Water Supply Corporation Limited etc. Loans provided include institutions which do not have own revenue resources for repayment like Arogyasree Health Care Trust, Telangana Scheduled Castes Cooperative Development Corporation Limited, Telangana Scheduled Tribes Cooperative Finance Corporation Limited. The government's committed liability towards Power Finance Corporation Bond was also classified as Loans provided. Thus, such loans do not reflect the true picture of Government assets as loans recoverability from these institutions are remote.

Government has not been stipulating terms of loans like interest rates, duration of repayment, number of instalments, etc., while providing loans to institutions. The loan balances depicted in the Accounts were yet to be confirmed by the entities. Recovery of Loans continued to be poor. Non-recovery from any of the institutions to whom huge loans were provided also reinforces the view that many loans given are either towards discharge of Off-Budget Liabilities or to institutions which cannot repay on their own due to lack of own revenue resources.

The Government did not contribute to Statutory funds viz., Consolidated Sinking Fund and Guarantee Redemption Fund for a third consecutive year. It also did not transfer the required share from the State Disaster Response Fund to State Disaster Mitigation Fund.

A substantial amount lying in Rural Development Fund has not been utilised for the past five years. A new fund Telangana Haritha Nidhi was constituted last year, outside the Government Accounts with mandatory contributions from people's representatives, Government servants and other voluntary contributions.

During the year, less internal debt has been taken, and more repayments have been made in comparison to previous year. However, the State Government failed to limit the Total outstanding liabilities to GSDP ratio within the targeted ratio of 25 per cent for a third consecutive year. Considering Off-Budget Borrowings, the ratio is also much above the limit prescribed by Fifteenth Finance Commission. The Government did not disclose the quantum or details of its Off-Budget Borrowing in the budget documents. A case in point is where Roads and Bridge works were transferred to Telangana State Road Development Corporation for execution along with resource mobilisation.

Debt Maturity profile suggest that the Government would have to mobilize substantial amount of ₹2,86,228 crore in the next ten years for servicing of public debt, which could put significant pressure on the State finances.

Despite achieving Revenue Surplus, all the Market Borrowings could not be utilised towards Capital expenditure but were routed to providing Loans and Advances to institutions who raised Off-Budget Borrowings. This is not a healthy fiscal practice from the perspective of Debt Sustainability.

2.10 Recommendations

- i. The Government may place a mechanism to capture the particulars of remittance up to detailed head level to avoid obscure classification like 'Other Receipts'.
- ii. Government may uniformly classify Assistance to TRANSCO for agriculture and allied subsidies as subsidies instead of partly as subsidies and partly as Grants-in-Aid.
- iii. The State Government may take appropriate action on the Report of the State Finance Commission and ensure that the mechanism of State Finance Commissions is kept functional.
- iv. The State Government may increase the share of Capital expenditure in the Total Expenditure.
- v. Government may review its investments to assess the reasons for consistent low return on investment.
- vi. State Government may modify depiction of discharge of its liabilities on account of Off-Budget Borrowings as loans advanced. The State Government may ensure that the orders sanctioning loan / agreements should invariably stipulate the 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 specifying the same.
- vii. The State Government may prepare and disclose financial results of irrigation projects.

- viii. Government needs to contribute to statutory funds as per the respective norms regularly to meet the contingencies for which they are created. It may utilise the amounts available in Rural Development Fund for the purposes for which it was created. The Government may bring Haritha Nidhi into Public Account fold instead of keeping it outside the Government Account.
- ix. Government should make earnest efforts to keep the Total outstanding liabilities to Gross State Domestic Product ratio within the permissible limits. Including Off-Budget Borrowings, it should be within the limit prescribed by the Fifteenth Finance Commission. The State Government needs to fully disclose Off-Budget Borrowings in the budget documents, in addition to a Statement of Guarantees, in accordance with the recommendations of the Fifteenth Finance Commission. It may be ensured that all the market borrowings are utilised for Capital Expenditure.

Chapter III **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 depicted in *Chart 3.1*.

State's own Revenue (Tax and Non-Tax) **Includes** establishment expenditure 2. Provide for 1. Estimated **Central Devolution** including (Taxes and Grants) Resource pool Committed Expenditure Salaries, Pension, PF, etc. **Net Borrowings** (Internal and External 3. Allocation for Central Schemes and Resources for State's flagship **Corresponding State Share** CSS, CS, EAP etc schemes are generally allocated by Finance Department in consultation with Administration 4. Allocation for State's flagship Departments schemes/programmes 5. Once the sectoral allocation is finalised, Administrative Departments submit demands for Grants to Finance Department 6. Demands for Grants are placed in Budget

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 (viz., Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged, Public Debt-charged and Loans voted) 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*.

Original Reappropriations **Expenditure** Budget (Charged and Voted) Total Budget For transfer approved by from one Unit Excess Legislature expenditure to another (Charged and Voted) within the Supple-(or) Grant and mentary within same (Charged and Savings section Voted) Approval by the Legislature **Implementation by the Government**

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

Source: Based on procedures prescribed in Budget Manual

3.2.1 Sub-Budgets

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

As mentioned in *Paragraph 1.4* earlier, Government of Telangana dispensed with Plan and Non-Plan budgets with effect from the year 2017-18 and introduced "Pragathi Paddu (Scheme Expenditure)" and "Nirvahana Paddu (Expenditure for Establishment / Maintenance)".

² Do not require the vote of the Legislature

Requiring the vote of the Legislature

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, 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 heads of Departments and certain other estimating officers. 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, only such receipts and payments⁴ as the estimating officer expects to be actually realized or made during the budget year⁵ should be considered for preparation of estimates. 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, underestimation 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.

Major deficiencies noticed in Budget projections and provisions are discussed hereunder:

3.2.2.1 Estimation of Receipts from Non-Tax Revenue in Budget

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 with regards to Non-Tax Revenue (NTR). This was due to higher estimation of receipts from NTR, as mentioned earlier in *Paragraph 1.5*. In fact, the projections of receipts from NTR in Budget Estimates were on higher side persistently during the last three years as shown below.

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

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

(₹ in crore)

Year	Estimation in Budget	Actual receipt	Higher receipt (+) / Shortfall (-)
(1)	(2)	(3)	(4) = (3) - (2)
2018-19	8,974	10,007	1,033
2019-20	15,875	7,360	(-)8,515
2020-21	30,600	6,101	(-)24,499
2021-22	30,557	8,857	(-)21,700
2022-23	25,422	19,554	(-)5,868

Source: Budget documents and Finance Accounts of last five years

- Though there was an increase in the actual receipts under Non-Tax Revenue under Miscellaneous General Services (higher by ₹5,875 crore) and Non-ferrous Mining and Metallurgical Industries (higher by ₹5,198 crore) the reasons for such increase could not be analysed due to lack of full details.
 - > Under the Miscellaneous General Services, out of ₹9,800 crore received, a huge amount of ₹5,723 crore was classified as 'Other Receipts' without any further details and thus making it difficult to identify source and nature of the receipts and render the accounts opaque (refer to *Paragraph 4.9* for further details of opaqueness in accounts). This is due to lapsing of Deposits and crediting the same to Government Account as Revenue Receipts instead of as reduction of expenditure (refer to *Paragraph 2.4.1.1 (ii)*).
 - ➤ Similarly, under Non-ferrous Mining and Metallurgical Industries, amounts received Royalty on Major Minerals (₹5,003 crore) and Royalty on Minor Minerals (₹970 crore) did not have further details. This is due to payment of arrears of royalty along with current year royalty and advance payment of royalty (refer *Paragraph 2.4.1.1(ii)*).
- One of the major items projected in Budget Estimates under Miscellaneous General Services was 'Sale of land and property'. This item is being consistently estimated on higher side as shown below:

Table 3.2: Budget Projection and actuals on receipts from Sale of Land

(₹ in crore)

Year	Estimation in Budget	Actual receipt	Higher receipt (+) / Shortfall (-)
(1)	(2)	(3)	(4) = (3) - (2)
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
2022-23	15,500	791	(-)14,709

Source: Budget documents and Finance Accounts of last five years

Despite lower receipts in previous years, the Government continued to project higher receipts from sale of land and property in the budget estimates.

3.2.2.2 Estimation of Receipts from 'Grants-in-Aid from Government of India'

The budget projections in respect of Grants-in-Aid (GIA) 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	Estimation in Budget	Actual receipt	Higher receipt (+) / Shortfall (-)
(1)	(2)	(3)	(4) = (3) - (2)
2018-19	29,042	8,178	(-)20,864
2019-20	8,178	11,598	3,420
2020-21	10,525	15,471	4,946
2021-22	38,669	8,619	(-)30,050
2022-23	41,002	13,179	(-)27,823

Source: Budget documents and Finance Accounts of last five years

Estimates for GIA were abnormally high in 2021-22 and 2022-23. This was on account of ₹25,105 crore and ₹25,555 crore in 2021-22 and 2022-23 respectively towards Special package and additional Central Assistance. However, such provisions were not found in the Government of India Budget proposals. The actual receipts under GIA were far less than the Estimates.

The Government needs to ensure that Non-Tax Revenue and Grants-in-Aid are estimated on realistic basis.

3.2.2.3 Estimation of additional receipts or reduction of receipts in Revised Estimates

While presenting the Budget for a year, it is customary to present Revised estimates pertaining to previous year and actuals in respect of a year before that. Accordingly, while presenting Budget for the year 2023-24 in February 2023, the Revised Estimates for the year 2022-23 were also presented.

- There was reduction in Revenue Receipts in Revised Estimates when compared to original budget estimates by ₹17,227 crore. The reduction was mainly under Grants-in-Aid (reduction by ₹10,752 crore), and under Non-Tax Revenue (reduction by ₹10,129 crore), substantiating that the original proposals made in March 2022 were on higher side.
- However, an amount of ₹7,500 crore was estimated as receivable in Revised Estimates for the year 2022-23 afresh as Inter-State Settlement, which was not in the original budget proposals (March 2022). This amount of ₹7,500 crore was estimated as the amounts receivable as electricity dues from Andhra Pradesh. The State Government did not provide any information regarding the basis on which the Receipt of ₹7,500 crore is projected under Inter-State Settlement Account. In fact, the State did not get any amount under Inter-State Settlement out of the estimated ₹7,500 crore in 2022-23.

The Finance Department replied (September 2023) that the information regarding electricity dues may be obtained from Energy Department. The reply is evasive, as the Finance Department would have to scrutinise the proposals of additional receipts before presenting to the State Legislature, particularly when they were not made in original proposal and included in Revised Estimates.

Transmission Corporation of Telangana Limited informed (October 2023) that Telangana State power utilities are to receive ₹20,406 crore, including interest, from Andhra Pradesh power utilities. The reply confirms that the amounts were receivable by power utilities and not by State Government. Hence, inclusion of amounts receivable by power utilities in the budget estimates of the State Government only resulted in higher projection of Receipts in Revised Estimates.

3.2.2.4 Estimation of expenditure on repayment of Ways and Means Advances

On the expenditure side, one of the major items of excess expenditure during the past few years is repayment of Ways and Means Advances (WMA)⁷. Whilst the State Government has been making only token provisions towards repayment of WMA, with increased dependency on WMA and consequent repayment every year, huge excess expenditure occurred as shown below:

Table 3.4: Budget Estimates and actuals in respect of repayment of Ways and Means Advances during past five years

(₹ in crore)

Year	Budget Estimate	Actuals	Excess expenditure
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
2022-23	100	82,823	82,723

Source: Appropriation Accounts of last five years

Though the total actual Expenditure, including repayment of WMA, was higher than the Budgetary provision in the past four years viz., from 2019-20 (*Chart 3.3*), without WMA it is much lower than the Budget Estimates as shown (*Chart 3.4*) below.

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

82,823 100 67,274 2,80,000 100 69,454 1,100 1,100 37,248 2,10,000 1,100 21,823 ₹ in crore 2,77,425 1,40,000 2,54,916 2,14,967 2,07,990 1,97,951 1,95,818 1,70,705 1,64,634 70,000 1,50,008 1,39,747 2018-19 2019-20 2020-21 2021-22 2022-23 ■ Total Provision ■ Actual Expenditure excluding WMA ■ Repayment of Ways and Means Advances

Chart 3.3: Total Provision and Expenditure including repayment of Ways and Means Advances during the period 2018-19 to 2022-23

Source: Appropriation Accounts of last five years

The repayment of WMA is increasing year after year. This is due to growing dependency on WMA. Further, because of making a token provision in the Budget Estimates coupled with huge repayment of WMA, Public Debt section of Fiscal Administration is registering excess expenditure every year requiring regularisation by the State Legislature.

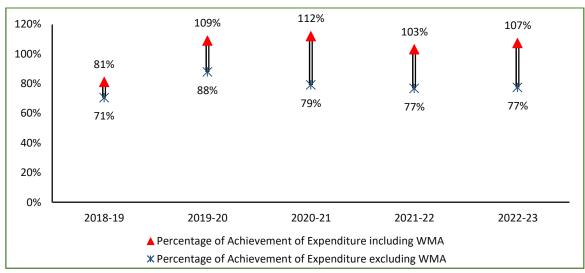


Chart 3.4: Percentage of expenditure in comparison to Budget including and excluding repayment of Ways and Means Advances

Source: Appropriation Accounts of last five years

Effectively, only 77 per cent of the provisions authorised could be spent during the past two years resulting in overall savings. However, due to huge repayment of WMA for which only a token provision was made, it appears there was an excess expenditure of seven per cent over the total provision in 2022-23 (for further details on excess expenditure refer to **Paragraph 3.3.2**).

3.2.2.5 Estimation of expenditure on interest on State Development Loans

Budget Estimates in respect of interest on State Development Loans have been consistently under-projected. The Budget Estimates, actual expenditure and the excess expenditure are shown in the following table:

Table 3.5: Budget Estimates and actuals in respect of interest on State Development Loans

(₹ in crore)

Year	Budget Estimate	Actuals	Excess expenditure
2018-19	8,316	9,610	1,294
2019-20	11,007	11,455	448
2020-21	12,075	13,907	1,832
2021-22	14,635	16,421	1,786
2022-23	18,125	19,053	928

Source: Appropriation Accounts of last five years

Since interest on State Development Loans is predetermined, the Budget Estimates could be prepared more realistically which would facilitate in planning expenditure spread.

3.2.2.6 Estimation of expenditure on pensions allocable to Andhra Pradesh and Telangana

Other major items where the Budget Estimates are lower, and the actual expenditures are higher are various types of pensionary disbursements allocable between States of Andhra Pradesh and Telangana after Re-organisation. The table below shows the Budget Estimates and actual expenditure on various types of pensions allocable between the two States. Excess expenditure of more than ₹1,000 crore in each year is registered due to lower Budget Estimates.

Table 3.6: Budget Estimates and actuals in respect of pensions allocable between Andhra Pradesh and Telangana States

(₹ in crore)

Year	Budget Estimate	Actuals	Excess expenditure				
Service Pensions Allocable to the Successor State of Telangana							
2018-19	23	1,964	1,941				
2019-20	23	3,342	3,319				
2020-21	24	3,891	3,867				
2021-22	31	5,076	5,045				
2022-23	30	4,398	4,368				
Post-bifurcation Servi	ice Pensions Allocable bet	tween the successor States	of Andhra Pradesh and				
Telangana in the ratio	of 58.42:41.68						
2019-20	182	1,302	1,120				
2020-21	186	1,484	1,298				
2021-22	237	2,243	2,006				
2022-23	230	3,038	2,808				
Family Pensions alloca	able to the successor State	of Telangana					
2018-19	3	755	752				
2019-20	3	1,255	1,252				
2020-21	3	1,401	1,398				
2021-22	4	1,933	1,929				
2022-23	800	1,803	1,003				

Source: Appropriation Accounts of last five years

3.2.2.7 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 3.7: Budget Estimates and actuals in respect of lump sum provisions

(₹ in crore)

Year	Budget Estimate	Actuals
2052 - Secretariat - General Services - 090	- Secretariat - 75 - lumpsum provision	1 – 010 - Salaries
2018-19	200	0
2019-20	10	0
2022-23	500	0
2052 - Secretariat - General Services - 090	- Secretariat - 75 – lump sum provisio	n -270 Minor Works
2018-19	1	0
2021-22	8,000	0

Source: Appropriation Accounts of last five years

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

Apart from the above, because of non-inclusion of certain inevitable expenditure items in the Budget Estimates, original or supplementary, the State Government has incurred unauthorised expenditure in violation of Constitutional Provisions, which are discussed in *Paragraph 3.4.1*.

3.2.3 Outcome / Performance Budget

As per Paragraph 2.1 (q) of 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 expenditure incurred directly by them.

For the year 2022-23, the State Government placed demands for 37 Grants⁸ before the State Legislature.

⁸ 40 Grants in the previous years. From 2022-23 onwards, Weaker Section Housing Programme (Grant No. XVIII) merged in Roads and Buildings (Grant No XI), Minor Irrigation (Grant No. XXXIV) merged in Major Irrigation (XXXIII) and Public Enterprises (Grant No. XL) merged in Industries and Commerce (Grant No XXXVI)

- Out of the 37 Grants, Outcome Budgets are not prepared in respect of 3 Grants⁹.
- On review of Outcome Budgets of the remaining 34 Grants, 24 Grants have clearly mentioned about achievement of outcomes.
- In respect of Grant No. XV 'Sports and Youth Services', 'nil' report was mentioned in the Outcome budget.
- In respect of eight Grants¹⁰, there was no mention of projected outcomes or their achievements.
- In respect of Grant No. IX 'Fiscal Administration, Planning, Survey and Statistics', achievements were mentioned without 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/reappropriations 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.

3.3.2 Summary of total provision and actual expenditure in 2022-23

A summarised position of total budget provision, disbursement and savings/excess during the year 2022-23 is given in *Table 3.8*:

(i) State Legislature, (ii) Governor and Council of Ministers and (iii) General Administration and Elections
 (i) Administration of Justice, (ii) Revenue, Registration and Relief, (iii) Excise Administration,

⁽iv) Commercial Taxes Administration, (v) Transport Administration, (vi) Medical and Health, (vii) Administration of Religious Endowments and (viii) Energy

Table 3.8: Budget Provision, disbursement and savings/excess during 2022-23

(₹ in crore)

Voted /	Nature of Expen-	Grant / m	Supple- mentary Grant/	Total	Total Actual	Savings (-) / Excess (+) with	Savings (-) / Excess (+)	Surrender during the year	
Charged	diture	Appro- priation	Appro – priation		Expenditure	reference to Total Budget	in Percentage	Amount	Per cent
Voted	Revenue	1,70,135	12,068	1,82,203	1,41,643	(-) 40,560	(-) 22	60,140	33
	Capital	29,673	5,033	34,706	17,925	(-) 16,781	(-) 48	14,341	41
	Loans and Advances	26,253	1,157	27,410	21,249	(-) 6,161	(-) 22	5,067	18
	Total Voted	2,26,061	18,258	2,44,319	1,80,817	(-) 63,502	(-) 26	79,548	33
Charged	Revenue	19,202	1,873	21,075	22,079	1,004	5	53	0.25
	Capital	56	63	119	83	(-) 36	(-) 30	35	30
	Public Debt Repayment	11,702	310	12,012	94,810	82,798	689	818	7
	Total Charged	30,960	2,246	33,206	1,16,972	83,766	252	906	3
	priation to gency Fund	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gra	nd Total	2,57,021	20,504	2,77,525	2,97,789	20,264	7	80,454	29

Source: Appropriation Accounts

Note: Out of ₹2,97,789 crore, an amount of ₹2,013 crore was transferred to Personal Deposit Accounts (Head of Account: 8443-106)

The net excess expenditure of ₹20,264 crore is the result of excess expenditure of ₹1,05,565 crore in seven Grants and two Appropriations¹¹ (*Appendix 3.1*) and savings of ₹85,301 crore in 35 Grants and 11 Appropriations. Excluding ₹82,823 crore Ways and Means Advances (WMA)¹², which are temporary loans to tide over the mismatch between receipts and disbursement requirements, there is an overall savings of ₹62,458 crore¹³.

Savings occurred in all parts of the Voted section as also under Capital in Charged section. Excess expenditure occurred under Charged sections of Revenue and Public Debt Repayment.

The State Government also incurred an unauthorised expenditure of ₹8,985 crore, at sub-head level, without any Budget provision during 2022-23 (*refer Paragraph 3.4.1*).

Four Grants under Revenue, Two Grants under Capital, One Grant under Loans, One Appropriation under Revenue and One Appropriation under Public Debt

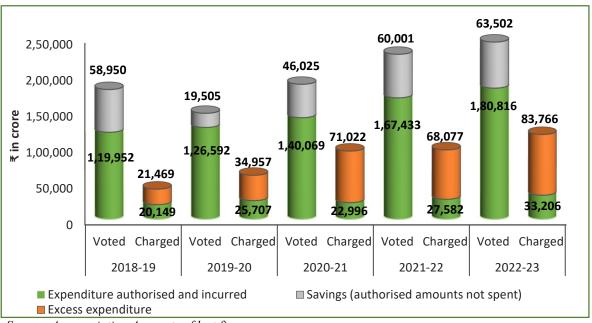
¹² for which the budget provision was only ₹100 crore and expenditure was ₹82,823 crore

¹³ excluding WMA repayment, budget provision is ₹2,77,425 crore and expenditure is ₹2,14,967 crore

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 2018-19 to 2022-23



Source: Appropriation Accounts of last five years

Excess expenditure occurred under charged section and savings under voted section every year. Lower estimates in respect of Ways and Means Advances, Interest on State Development Loans, etc. caused excess expenditure in charged section whereas higher estimation towards schemes / welfare / development activities in voted section resulted in savings.

The State Government may ensure realistic estimation of expenditure directly charged on the Consolidated Fund, which can be computed with reasonable accuracy.

3.3.4 Budget Marksmanship

3.3.4.1 Aggregate Budget outturn

Aggregate Budget Outturn measures the extent to which the Aggregate Budget Expenditure Outturn/actual expenditure reflects the amount originally approved, both in terms of less than approved and in excess of approved.

Table 3.9: Original Budget approved and Actual outturn during 2022-23

(₹ in crore)

Description	Original Approved Budget (BE)	Actual Outturn	Difference between Actual and BE
Revenue	1,89,337	1,63,722	(-) 25,615
Capital	29,729	18,009	(-) 11,720
Loans (including Public Debt*)	37,855	33,236	(-) 4,619
Total	2,56,921	2,14,967	(-) 41,954

^{*} Excluding Ways and Means Advances

Source: Appropriation Accounts

In Revenue section, deviation in outturn compared with BE was (-) 14 per cent. This was due to deviation between 0 and +/- 25 per cent in 17 Grants; between +/- 25 per cent to +/- 50 per cent in 10 Grants; and between +/- 50 per cent to +/- 100 per cent in 10 Grants. While Energy Grant with +90 per cent outturn was on excess side, Roads and Buildings ((-)87 percent)), Tourism, Art and Culture ((-)84 per cent), and Civil Supplies Administration ((-) 77 per cent) Grants had significantly less outturn in Revenue section.

In Capital section, deviation in outturn compared with BE was (-) 39 per cent. This was due to deviation between 0 and +/- 25 per cent in 2 Grants; between +/- 25 per cent to +/- 50 per cent in 9 Grants; between +/-50 per cent and +/-100 per cent in 13 Grants; and equal to or more than 100 per cent in 4 Grants. Labour and Employment (8,113 per cent), Women and Child Welfare (1,980 per cent), School education (336 per cent) and Industries and Commerce (247 per cent) were Grants with more than 100 per cent excess outturn whereas Commercial Taxes Administration and Municipal Administration and Urban Development Grants were having 100 per cent less outturn in Capital section.

In Loans section, deviation in outturn compared with BE was (-) 12 per cent. This was due to deviation between 0 and +/- 25 per cent in 8 Grants; between +/-50 per cent and +/-100 per cent in 3 Grants; and equal to or more than 100 per cent in one Grant. Agriculture Grant (551 per cent) was having highest outturn under Loans Section.

3.3.4.2 Expenditure Composition Outturn

Expenditure composition outturn measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition.

Table 3.10: Revised Budget and Actual outturn during 2022-23

(₹ in crore)

Description	Original Approved Budget (BE)	Revised Estimates (RE)	Actual Outturn	Difference between BE and RE	Difference between Actual and RE
Revenue	1,89,337	2,03,278	1,63,722	13,941	(-) 39,556
Capital	29,729	34,824	18,009	5,095	(-) 16,815
Loans (including Public Debt*)	37,855	39,323	33,236	1,468	(-) 6,087
Total	2,56,921	2,77,425	2,14,967	20,504	(-) 62,458

^{*} Excluding Ways and Means Advances

Source: Appropriation Accounts

In Revenue section, deviation in outturn compared with RE was (-) 19 *per cent*. This was due to deviation between 0 and +/- 25 *per cent* in 15 Grants; between +/- 25 *per cent* and +/-50 *per cent* in 13 Grants; between +/-50 *per cent* and +/-100 *per cent* in 9 Grants.

In Capital section, deviation in outturn compared with RE was (-) 48 *per cent*. This was due to deviation between 0 and +/- 25 *per cent* in 3 Grants; between +/- 25 *per cent* and +/- 50 *per cent* in 9 Grants; between +/-50 *per cent* and +/-100 *per cent* in 13 Grants; and equal to or more than 100 *per cent* in 3 Grants.

In Loans section, deviation in outturn compared with RE was (-) 15 per cent. This was due to deviation between 0 and +/- 25 per cent 8 Grants; between +/-50 per cent and +/- 100 per cent in 3 Grants; and equal to or more than 100 per cent in 1 Grant.

3.3.5 Lack of explanation for variation from Budget

Appropriation Accounts provide explanations for comments on excess expenditure or savings where the excess or savings at sub-head level varies beyond the limits set by the Public Accounts Committee (PAC).

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

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

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 2022-23 are given in *Chart 3.6*:

Total Number of sub-heads 2059

No. of sub-heads requiring explanation for variations 1019

No. of cases where explanation was received for variations

Chart 3.6: Summary of unexplained variations vis-à-vis budget during 2022-23

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 1,019 sub-heads (out of 2,012) in 2021-22, 893 sub-heads (out of 1,952) in 2020-21, and 862 sub-heads (out of 2,282) in 2019-20 also. The same were highlighted in the State Finances Audit Reports for the year ended March 2022, 2021, and March 2020¹⁴.

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 the 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 reappropriation or not, until it is included in a supplementary statement of expenditure presented to the Legislature and eventually in an Appropriation Act.

At sub-head level, the State Government incurred a huge expenditure of ₹8,985 crore without any budget provision under 48 sub-heads as below:

Table 3.11: Expenditure without Budget provision during 2022-23

Number of Grants /	Number of Major	Number of sub-heads	Expenditure	
Appropriations	Heads		(₹ in crore)	
24	28	48	8,985	

Source: Appropriation Accounts

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Paragraph 3.4.1 on "Expenditure incurred without authority of Law" and Paragraph 3.4.2 on "Excess expenditure and its regularisation" of these reports

The Finance Department failed to include the following five items, which constituted 98 per cent (₹8,765 crore) of total expenditure without budget provision, despite being aware that expenditure had already been incurred or committed.

3.4.1.1 Non-provision of allocation towards taking over of DISCOMs losses under UDAY after incurring expenditure

In pursuance of a tripartite agreement with DISCOMs and Union Government, the State Government was to take over losses of DISCOMs under Ujwal DISCOM Assurance Yojana (UDAY). During the year 2022-23, though no amounts were provided towards discharge of this commitment in the Original Budget Estimates, the State Government incurred an expenditure of ₹7,061 crore¹⁵ under Grant No. XXXV – Energy under minor head 'Assistance to Public Sector and Other Undertakings' 16.

Since approval for this expenditure from Legislature was not obtained in the Original Budget Estimates and the expenditure was incurred in June and December 2022, Energy and Finance Departments should have obtained approval through Supplementary Provisions from the State Legislature, which was not done for reasons not on record. Thus, the expenditure of ₹7,061 crore was unauthorised.

In fact, in reply to an audit enquiry, the Finance Department informed (November 2022) that it had already incurred (June 2022) ₹6,646 crore towards 'Taking over losses of DISCOMs under UDAY'. The reply confirms that the Finance Department was aware that the authorisation for expenditure already incurred was required to be obtained through Supplementary Demands.

3.4.1.2 Non-provision of allocation in the Budget Estimates towards Loans to MARKFED after incurring expenditure

An expenditure of ₹1,107 crore was incurred (August 2022) without provision in the original Budget Estimates towards Loans to MARKFED under Grant No. XXVII -Agriculture. In view of the absence of approval of the Legislature for this expenditure in the original Budget Estimates, this item was rightly included in the Demand for Grants for further expenditure in Supplementary Estimates (February 2023) under Loans Section (Major Head of Account 6401).

However, this was mistakenly included under Capital section instead of Loans section in the Appropriation Act (Act 3 of 2023).

As a result, savings of ₹1,107 crore occurred under Capital Section. On the other side, the actual expenditure of ₹1,107 crore towards Loans to MARKFED under Loans section became unauthorised.

^{₹6,646} crore in June 2022 and ₹415 crore in December 2022

¹⁶ Subsequently, amounts of ₹1,091 crore and ₹643 crore out of the above ₹7,061 crore, were transferred to 'Special Component Plan for Scheduled Castes' and 'Tribal Area Sub-Plan' respectively from minor head 'Assistance to Public Sector and Other Undertakings' (refer to Paragraph 3.4.7 for further details on this) by book adjustment

The State Government replied (September 2023) that necessary errata to Supplementary Budget Estimates has been issued to agree with the Appropriation Act.

However, since the expenditure had already been incurred in August 2022 under Loans Section, whereas the Act in February 2023 authorised the provision under Capital Section, there was an expenditure without budget under Loans and non-utilisation of entire provision under Capital section.

3.4.1.3 Non-provision of allocation in the Supplementary Budget Estimates towards Subvention from Central Road Fund

The grants received from the Government of India (GoI) for Road Development works are credited to the Consolidated Fund of the State as Grants-in-Aid from GoI. These amounts are then transferred from the Consolidated fund to a Deposit Head under Public Account. The expenditure from this fund is initially met out of the State allocation by debit under Revenue Expenditure. This debit is subsequently transferred to Deposit head in Public Account by per contra credit to the Capital Expenditure.

The State Government received (June and September 2022) an amount of ₹276 crore¹⁷ during 2022-23 from GoI towards Subvention from Central Road Fund in accordance with procedure mentioned above. Thus, the State Government was aware that an expenditure of ₹276 crore was to be incurred under Subvention from Central Road Fund.

However, no approval for expenditure was obtained from Legislature for this item. Thus, the expenditure of ₹276 crore was unauthorised.

Similar unauthorised expenditure on this item were highlighted in the previous State Finances Audit Reports also. However, no steps for rectification were taken in 2022-23.

3.4.1.4 Unauthorised expenditure on Amount Allocable to the successor State of Telangana through Reappropriation orders

As per Paragraph 17.6.1 (c) of the Budget Manual, Reappropriation 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, the State Government incurred (August 2022 to March 2023) an amount of ₹199 crore towards amount allocable to the Successor State of Telangana (Grant No. IX − Fiscal Administration) towards Leave Encashment Benefits through Reappropriation orders without approved provision in the original Budget Estimates or Supplementary Estimates, which is in contravention of the provisions of the Budget Manual.

Similar unauthorised expenditure on this item were highlighted in the previous State Finances Audit Reports also. However, no steps for rectification were taken in 2022-23.

Other important cases of such Irregular Reappropriations are discussed in *Paragraph* 3.4.6.1.

¹⁷ ₹167 crore in June 2022 and ₹109 crore in September 2022

3.4.1.5 Non-provision of allocation towards Investment in Telangana State Road Transport Corporation

Investments by Government in Public Sector Undertakings give impetus to that sector and is generally a policy decision of the Government. As such, a disclosure is made in the Budget speech along with provision in the Budget Estimates when substantial investments are made.

However, during the year 2022-23 the State Government made (June, August and September 2022) an investment of ₹122 crore in Telangana State Road Transport Corporation under Grant No. XI - Roads and Buildings without approval in the Original Budget Estimates. Both Roads and Buildings and Finance Department failed to obtain the approval of Legislature even under Supplementary Estimates. Thus, the expenditure of ₹122 crore was unauthorised.

Thus, despite knowing that the expenditure had already been incurred, the Finance and other Departments concerned failed to obtain approval of the Legislature for ₹8,566 crore in the Supplementary provisions, which led to unauthorised expenditure in violation of Article 204 of the Constitution.

Overall, there has been a sharp increase in expenditure without approval of the Legislature during the current year (₹8,985 crore) when compared to previous year (₹1,383 crore) mainly on account of 'Taking over of DISCOMs losses under UDAY' and 'Loans to MARKFED'.

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 the 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.

For the past few years, there were persistent excess expenditure in the Grants that provide funds for the day-to-day administration like Fiscal Administration and Home Administration. 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 or 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 3.8*, there was an overall excess expenditure of ₹20,264 crore during 2022-23. Compared to 2021-22, the total budget provision increased by 9 *per cent*¹⁸ and the expenditure was higher by 13 *per cent*¹⁹ in 2022-23.

At Grant/Appropriation level, excess expenditure incurred under seven Grants and two Appropriations²⁰. Under these, an expenditure of ₹1,59,086 crore was incurred against budget provision of ₹53,521 crore (i.e., 297 per cent of the total provision) (details in *Appendix 3.1*), resulting in an excess of ₹1,05,565 crore.

Analysis at the Major Head (MH) level revealed that there was excess expenditure in 17 Major Heads, whose expenditure (₹1,62,199 crore) was more than provision (₹55,793 crore) by ₹1,06,406 crore. Apart from internal debt of the State Government (₹82,650 crore), Excess Expenditure occurred in major heads Pensions and Other Retirement Benefits (₹14,105 crore), Power (₹7,066 crore), Loans for Crop Husbandry (₹1,107 crore), Interest Payments (₹1,059 crore), Loans and Advances from the Central Government (₹148 crore) and Capital Outlay on Road Transport (₹122 crore).

From the perspective of the scheme/sub-heads, the following are observed:

- The major contributor for the excess expenditure during the year 2022-23, as mentioned in earlier paragraphs, was 'Repayment of Ways and Means Advances' (₹82,723 crore) under Grant No. IX Fiscal Administration (Loans Charged) for which the original provision was only ₹100 crore without any supplementary provision, while the actual expenditure was ₹82,823 crore.
- Apart from the pension liabilities which are consistently estimated at lower levels in the Budget, as mentioned in *Paragraph 3.2.2.6*, there was also excess expenditure over budgetary authorisation (by ₹1,000 crore or more in each case) under the following subheads in Grant No. IX Fiscal Administration pertaining to Pension during the current year.

Table 3.12: Major contributing items for excess expenditure under Grant No. IX - Fiscal Administration during 2022-23

(₹ in crore)

Sl. No.	Details of Scheme/Sub-head	Budget	Expenditure	Excess expenditure
1	Pre-Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	4,595	7,579	2,984
2	Pre-Bifurcation Family Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	2,000	3,392	1,392

Source: Appropriation Accounts

¹⁸ ₹2,77,525 crore in 2022-23 as against ₹2,55,016 crore in 2021-22

¹⁹ ₹2,97,789 crore in 2022-23 as against ₹2,63,092 crore in 2021-22

Four Grants under Revenue, Two Grants under Capital, One Grant under Loans, One Appropriation under Revenue and One Appropriation under Public Debt

While there has been excess expenditure in respect of first item during the past three years, the excess expenditure in respect of second item occurred during the current year.

During 2022-23, significant excess expenditure in other grants (more than ₹500 crore in each case), occurred in the following schemes/sub-heads:

Table 3.13: Significant items of excess expenditure under Grants other than Fiscal Administration

(₹ in crore)

Sl. No.	Grant No. Grant(s) Name		Scheme / Sub-head	Amount
1	XII (Revenue Voted)	School Education	Teaching Grants to Zilla Praja Parishads	569
2	XII (Revenue Voted)	School Education	Teaching Grants to Mandal Praja Parishads	548

Source: Appropriation Accounts

No specific reasons were furnished for the above excess expenditure.

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 (PAC). For this purpose, the Departments concerned are required to submit Explanatory Notes for excess expenditure to the PAC through Finance Department.

The State Government was yet to get the excess expenditure of ₹2,89,115 crore over and above the allocation, pertaining to the years 2014-15 to 2021-22 regularised by the State Legislature. (Year wise summary and Year-wise Grant-wise details are given in *Appendix 3.2 (a) and (b)* respectively).

The excess expenditure is to be regularised after discussion in the PAC. The Committee met 6 times²¹ to discuss 14²² paragraphs pertaining to the 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.

3.4.3 Unspent provision / Savings

During the year 2022-23, the total savings were $\$85,301 \text{ crore}^{23}$. Of this, \$75,038 crore (i.e., 88 per cent) pertain to 23 sections of 17 Grants with more than \$1,000 crore remained unspent under each section as shown in *Appendix 3.3*.

²¹ May 2018, August 2021 (twice), February 2022, March 2022, and December 2022

²² Paragraphs: 2014-15 (2.5.3, 3.2.1, and 3.2.2); 2015-16 (3.2.2, and 3.2.3); 2017-18 (3.6); 2018-19 (3.4, and 3.5); 2019-20 (3.5.2.1); 2020-21 (3.5.2.2., 4.6. 4.6.1, 4.7, and 4.7.1)

²³ ₹85,210 crore in 70 Grant sections and ₹91 crore in 13 appropriation sections

Savings of more than ₹5,000 crore occurred under Social Welfare (Revenue Voted - ₹19,782 crore), Roads and Buildings (Revenue Voted - ₹8,937 crore) and Agriculture (Revenue Voted - ₹5,389 crore), where provisions approved by Legislature were not spent.

3.4.3.1 Non-utilisation of entire original provision

In respect of 4 sections under 3 Grants²⁴, entire original provision of ₹2.22 crore remained unspent.

At sub-head/scheme level, in 112 cases under 20 Grants/Appropriations the entire original provision of ₹22,636 crore could not be utilised. A few major items depicted below:

Table 3.14: Major items of entire Provision remaining unspent

(₹ in crore)

Sl. No.	Grant No.	Grant(s) Name	Scheme / Sub-head	Budget Provision
1	XI	Roads and Buildings	Construction of Two Bed Room Houses to the Rural poor under BLC	3,900
2	XI	Roads and Buildings	Construction of Two Bed Room Houses to the Urban poor under BLC	3,450
3	XXI	Social Welfare	Construction of Two Bed Room Houses to the Rural poor	1,200
4	XXVIII	Animal Husbandry Assistance to Sheep and Goat Development Cooperative Federation Limited		1,000
5	XXVII, XXI, and XXII	Agriculture, Social Welfare, and Tribal Welfare	Oil Palm cultivation	1,000
6	XXII	Tribal Welfare	Construction of Two Bed Room Houses to the Rural poor	900
7	XXII	Tribal Welfare	Construction of Two Bed Room Houses to the Urban poor	800
8	XXI	Social Welfare	Construction of Two Bed Room Houses to the Urban poor	750
9	XXXVII	Tourism, Art and Culture	Kaleshwaram Tourism Circuit	750
10	XI	Roads and Buildings	Regional Ring Road	500
11	XVII	Municipal Administration and Urban development	Metro connectivity to Old city	500
12	XVII, XXI, and XXII	Municipal Administration and Urban development, Social Welfare and Tribal Welfare	Airport Metro Connectivity	500

Source: Appropriation Accounts

The Construction of Two Bed Room Houses is a major item on which the entire original provision was not utilised under different Grants and sub-heads.

^{24 (}i) Grant No.VII - Commercial Tax Administration (Capital Voted): ₹1 crore; (ii) Grant No. XXXI – Panchayat Raj (Capital Charged: ₹1.05 crore); (iii) Grant No. XXXVI – Industries and Commerce (Revenue Charged): ₹0.10 crore; and (iv) Grant No. XXXVI – Industries and Commerce (Capital Charged): ₹0.06 crore

Box 3.1: Zero expenditure on Hyderabad Urban Agglomeration

Hyderabad Urban Agglomeration is a case where there has been no expenditure during the past three years. The scheme was introduced in 2020-21. The Government estimated ₹50,000 crore requirement in the next five years (i.e., from 2020-21 onwards) to take up developmental works in the Capital City, which is being transformed into an international city. In view of this ₹10,000 crore was proposed in the budget 2020-21 to carry out Musi River purification, Musi River Front Project, all other special projects, and works in Hyderabad Urban Agglomeration area. However, the entire provision of ₹10,000 crore remained unutilised during 2020-21.

In the next year 2021-22, the budget was reduced significantly to ₹2,600 crore to Hyderabad Urban Agglomeration. Again, the entire provision remained unutilised in that year also.

In the current year 2022-23, the budget was further reduced drastically to ₹200 crore and even the reduced provision remained unutilised.

3.4.3.2 Major items of non-utilisation of the allocation

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

Table 3.15: Significant items of unspent provisions

(₹ in crore)

Sl. No.	Grant(s) No.	Grant(s) Name	Scheme / Sub-head	Budget Provision	Expen- diture	Savings
1	XXI (Loans Voted)	Social Welfare	Telangana Dalit Bandhu	17,700	2,000	15,700
2	XXI, XXII, and XXVII (All Revenue Voted)	Social Welfare, Tribal Welfare and Agriculture	Scheme for debt relief to farmers	4,000	36	3,964
3	XXXI (Loans Voted)	Panchayat Raj	Loans to TDWSCL ²⁵	4,589	1,274	3,315

Source: Appropriation Accounts

In respect of irrigation projects, major savings occurred in Kaleshwaram project (under Capital and Loans sections)²⁶, J. Chokka Rao Devadula Lift Irrigation scheme²⁷, Sripada Sagar Yellampally project²⁸ and Sita Rama Lift Irrigation Scheme²⁹ under Capital section.

3.4.4 Persistent trends

As mentioned in the earlier paragraphs, excess expenditure occurred generally during the past five years in the Grants that provide funds for the day-to-day administration like Fiscal

²⁵ Telangana Drinking Water Supply Corporation Limited

Budget Provision: ₹2,638 crore, Expenditure: ₹2,202 crore, Savings: 436 crore under Capital Voted and Budget Provision: ₹9,240 crore, Expenditure: ₹8,902 crore, Savings: ₹338 crore under Loans Voted

²⁷ Budget Provision: ₹515 crore, Expenditure: ₹34 crore, Savings: ₹481 crore

²⁸ Budget Provision: ₹398 crore, Expenditure: ₹72 crore, Savings: ₹326 crore

²⁹ Budget Provision: ₹998 crore, Expenditure: ₹775 crore, Savings: ₹223 crore

Administration (Revenue Voted) and Home Administration (Revenue Voted). On the other hand, amounts authorised by the Legislature in respect of Grants like Municipal Administration and Urban Development, Social Welfare, and Tribal Welfare, which deal with development or welfare activities could not be utilised. This indicates that the Budgets for the administrative Grants were under-projected while welfare and development Grants were over-projected. Persistent excess expenditure and persistent savings are discussed 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.

Excess expenditure occurred persistently, during the last five years under Grant No. IX – Fiscal Administration (Revenue Voted).

Table 3.16: Persistent excess expenditure under Grant No. IX

- Fiscal Administration during last five years

(₹ in crore)

Details	2018-19	2019-20	2020-21	2021-22	2022-23
Grant Provision	12,881	10,741	10,451	19,377	12,479
Actual Expenditure	16,871	19,059	19,574	24,593	25,958
Excess	3,990	8,318	9,123	5,216	13,479

Source: Appropriation Accounts of last five years

The quantum of excess expenditure in Fiscal Administration Grant has been increasing for the last five years (except during 2021-22) and during the current year it has increased by 158 *per cent* when compared to 2021-22.

The major items with persistent excess expenditure for the last five years under Grant No. IX – Fiscal Administration (Revenue Voted) were Service Pensions allocable to the successor State of Telangana (total excess of ₹18,538 crore), Post – Bifurcation Service Pensions allocable between the successor States (total excess of ₹8,195 crore) and Family Pensions allocable to the successor State of Telangana (total excess of ₹6,333 crore). As mentioned above, the excess expenditure was the result of lower estimation of the committed expenditure.

Further, Grant No. XXXV – Energy recorded excess expenditure of ₹292 crore and ₹7,055 crore during the years 2021-22 and 2022-23 respectively. The main item of expenditure under this Grant which contributed for excess expenditure during 2022-23 was 'Taking over DISCOMs losses under UDAY' (₹7,061 crore), while in the previous year (2021-22), the excess was due to higher expenditure in respect of 'Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied Subsidy' (₹396 crore).

Grant No X - Home Administration, which had excess expenditure continuously for the years from 2015-16 to 2020-21, has not registered excess expenditure during the past two years.

3.4.4.2 Persistent Savings

During the years from 2018-19 to 2022-23, there were four Grant sections, that showed persistent savings of more than ₹1,000 crore each as shown in the table below:

Table 3.17: Grants with persistent savings of more than ₹1,000 crore during the years 2018-19 to 2022-23 under Revenue Voted

Sl.	Grant	Name of the Grant	Savings ₹ in crore (<i>per cent</i>)					
No.	No. No.	Name of the Grant	2018-19	2019-20	2020-21	2021-22	2022-23	
1.	XXI	Social Welfare (Revenue Voted)	4,539(38)	1,810(17)	6,124(40)	3,577(20)	19,782(63)	
2.	XXVII	Agriculture (Revenue Voted)	4,178(31)	4,347(28)	4,684(25)	4,401(23)	5,389(28)	
3.	XVII	Municipal Administration and Urban Development (Revenue Voted)	4,035(67)	1,092(36)	1,949(33)	5,156(60)	3,106(38)	
4.	XXII	Tribal Welfare (Revenue Voted)	2,159(32)	1,065(16)	3,416(36)	2,094(21)	3,823(35)	

Source: Appropriation Accounts of last five years

- Considerable savings were also noticed in Social Welfare (Revenue Voted) since 2020-21 comprising the schemes viz., 'Two Bed Room Houses', 'Investment Support Scheme (Rythu Bandhu)', 'Economic Support Schemes and LPS', 'Scheme for Debt Relief to farmers', 'Incentives for Industrial Promotion', and 'Construction of Two Bed Room Houses to Urban and Rural Poor' schemes. As mentioned earlier, huge increase in the savings in the current year are on account of unutilised provision of ₹15,700 crore on 'Telangana Dalit Bandhu Scheme'.
- Agriculture (Revenue Voted), which has been receiving high priority during the past few years, registered huge unspent provisions of more than ₹4,000 crore every year during the past five years. This was mainly on account of savings in 'Scheme for debt relief to farmers' during the past three years, 'Investment Support Scheme (Rythu Bandhu)' during 2018-19, 'Market Intervention Fund' during 2020-21 and 2021-22, 'Farm mechanisation' and 'Oil Palm Cultivation' during 2022-23.
- In respect of Municipal Administration and Urban Development (Revenue Voted) the savings were mainly on 'Smart Cities', 'AMRUT', 'Assistance to Municipalities under State Finance Commission' etc.
- Similar to Social Welfare Grant, considerable savings in Tribal Welfare (Revenue Voted) since 2020-21 occurred in 'Two Bed Room Houses', 'Scheme for Debt Relief to farmers', 'Construction of Two Bed Room Houses for the Urban and Rural Poor' and 'Aasara Pensions'.

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

Table 3.18: Grants / Appropriations with less than 50 *per cent* utilisation in at least three years during the five-year period (2018-19 to 2022-23)

Sl.	Grant	Name of the Grant/	Utilisation in <i>per cent</i>					
No.	No.	Appropriation	2018-19	2019-20	2020-21	2021-22	2022-23	
1.	XI	Roads and Buildings (includes Housing)	50	102	39	38	33	
2.	XXXVI	Industries and Commerce	28	77	38	36	42	
3.	XXXVII	Tourism, Art and Culture	62	78	27	21	13	

Source: Appropriation Accounts of last five years

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

- Utilisation of provision under these three Grants was less than 50 *per cent* during the last three years, indicating that these Grants were less prioritised continuously.
- In particular, the utilisation percentage of allocated provisions with regards to Roads and Buildings (includes Housing, which was merged with Roads and Buildings grant during the current year 2022-23) has been considerably less under 'Construction of Two Bed Room Houses for the Rural Poor', 'Construction of Two Bed Room Houses for the Urban Poor', 'Pradhan Mantri Awas Yojana (Rural)' and 'Pradhan Mantri Awas Yojana (Urban)'.
- Unspent provisions were seen mainly under Industries and Commerce 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, 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 Reappropriation, the Secretary in the concerned Department proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

During the year 2022-23, ₹20,504 crore was obtained (February 2023) under Supplementary estimates.

3.4.5.1 Non-utilisation of entire Supplementary Provisions

Since supplementary provisions are made in addition to the original provisions and almost at the end of the year, they should not remain unutilised. In contrast, in respect of 20 sections in 14 Grants, the entire Supplementary Provision of ₹465 crore authorised by Legislature remained unspent. Further, from the perspective of sub-heads, in respect of 36 sub-heads (representing schemes) in 18 Grants, the entire Supplementary Provision of ₹626 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. The following are the major items:

- Loans to Hyderabad Metro Water Supply & Sewerage Board for Sunkishala Intake Project KDWSP (₹200 crore);
- Loans from Telangana Transco Bonds (₹144 crore) under Internal Debt;
- Matching State Share for Centrally Sponsored Schemes of J. Chokka Rao Devadula Lift Irrigation Scheme AIBP Project (₹132 crore); and
- Providing Infrastructure and others to New Veterinary College at Siddipet (₹69 crore).

3.4.5.2 Non-utilisation of entire Original and Supplementary Provisions

There were 29 instances under 12 Grants or Appropriations totalling to ₹700 crore, where the original provisions were supplemented by additional provisions, the total of which remained unutilised at the end of the year. The following are the major items:

- Assistance to SERP (Original provision: ₹177 crore, Supplementary provision: ₹20 crore, Total provision: ₹197 crore);
- Pradhan Mantri Poshan Shakti Nirman (PM POSHAN cooking cost) under various subheads (Original Provision: ₹91 crore, Supplementary provision: ₹36 crore, Total Provision: ₹127 crore);
- Safe City Project for Safety of Women in Hyderabad City (Nirbhaya Fund) (Original provision: ₹1 crore, Supplementary provision: ₹89 crore, Total provision: ₹90 crore);
- Repairs & Maintenance of Residential School Buildings (Original provision: ₹10 crore, supplementary provision: ₹34 crore, Total provision: ₹44 crore).

The reasons for obtaining supplementary provision even when the entire original provision was not utilised were not provided.

3.4.5.3 Unnecessary / Excessive / Insufficient Supplementary Provisions

There were several Grants/appropriations where expenditure fell short of even the original provision and the supplementary provisions obtained in February 2023 were unwarranted and could have been restricted to a token provision wherever necessary. Similarly, there were instances where the supplementary provisions obtained proved excessive or insufficient in view of the final savings or excess expenditure.

Table 3.19: Unnecessary / Excessive / Insufficient Supplementary Provisions

Sl. No.	Particulars	No. of Grants / Appro- priations	Original Provision (₹ in crore)	Supple- mentary Provision (₹ in crore)	Total Grant (₹ in crore)	Total Expenditure (₹ in crore)	Excess (+) / Savings (-) (₹ in crore)
1	Unnecessary Supplementary	30	24,793	2,779	27,572	19,489	(-) 8,082
2	Excessive Supplementary	36	7,601	8,085	15,687	11,232	(-) 4,454
3	Insufficient Supplementary	29	26,566	5,717	32,283	35,782	3,500

Source: Appropriation Accounts

(i) Major Schemes / Sub-heads with unnecessary supplementary provisions

At sub-head level, supplementary provisions of more than ₹100 crore were not necessary in the following instances as the expenditure fell short of even the original provision:

Table 3.20: Schemes where Supplementary Provision of more than ₹100 crore proved unnecessary

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supple- mentary	Total	Expen- diture	Savings
1	XII	School Education	Primary Schools	747	1,000	1,747	722	1,024
2	XXV	Women, Child and Disabled Welfare	Integrated Child Development Services	1,003	271	1,274	875	399
3	XXVII	Agriculture	Investment Support Scheme	11,491	190	11,681	11,140	540
4	XII	School Education	Nutritious Meals Programmes for IX and X Classes	101	148	249	26	223
5	XVI	Medical and Health	Establishment of Teaching Hospitals	743	109	853	691	162

Source: Appropriation Accounts

(ii) Major Schemes / Sub-heads with excessive supplementary provisions:

At sub-head level, supplementary provisions were excessive by more than ₹200 crore in the following instances:

Table 3.21: Schemes where Supplementary Provision of more than ₹200 crore was excessive

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supple- mentary	Total	Expen- diture	Savings
1	X	Home Administration	District Offices (Superintendents of Police)	67	500	567	68	499
2	XXXI	Panchayat Raj	District Panchayat Offices	36	538	574	215	359
3	XII	School Education	Samagra Shiksha	561	646	1,207	860	347
4	XIII	Higher Education	Government Degree Colleges	357	267	624	423	201

Source: Appropriation Accounts

(iii) Major Schemes / Sub-heads where supplementary provisions proved insufficient

In respect of the following sub heads (schemes) the supplementary provision was insufficient by more than ₹200 crore.

Table 3.22: Schemes where Supplementary Provision was insufficient by more than ₹200 crore

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Original	Supple- mentary	Total	Expen- diture	Shortfall
1	IX	Fiscal Administration	Interest on State Development Loans	16,275	1,850	18,125	19,053	928
2	X	Home Administration	District Police Force	2,698	0*	2,698	3,167	469
3	XVII	Municipal Administration and Urban Development	Assistance to Municipalities for Development works	0#	1,000	1,000	1,355	355

Source: Appropriation Accounts

Thus, the Finance Department and Departments concerned have erred in assessing the requirement for obtaining supplementary provisions from the Legislature.

3.4.6 Reappropriations, Surrenders and Withdrawal / Resumption of funds

Reappropriation 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 reappropriate provision from one unit of appropriation to another within the same Grant, subject to the limits and restrictions laid down in Budget Manual.

Government has been issuing Reappropriation/ Resumption orders to decrease/ increase the budget provision and for withdrawal/surrender of provisions authorised. The net effect of all such Reappropriation/ Resumption orders issued by the Government in the current year was net reduction of budget provision by ₹80,454 crore. In fact, there was a net excess expenditure of ₹20,264 crore as mentioned in *Table 3.8* and *Paragraph 3.3.2*.

3.4.6.1 Irregular Reappropriations

As per Paragraph 17.6.1 (c) of the Budget Manual, reappropriation 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, ₹704 crore was provided through Reappropriation orders, in respect of 27 sub-heads in 16 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items are:

^{*} Supplementary provision of ₹55,000 was made

[#] Original provision was ₹1,000

Table 3.23: Schemes where provisions of more than ₹100 crore were made through Reappropriation Orders without approved budget provision

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Scheme / Sub-head	Provision through Reappropriation orders without Budget approval	Expenditure
1	XI	Roads, Buildings and Ports (Revenue Voted)	Subvention from Central Road Fund	276	276
2	IX	Fiscal Administration (Revenue Voted)	Amount allocable to the successor State of Telangana	199	199
3	XI	Roads, Buildings and Ports (Capital Voted)	Investments in TSRTC	123	123

Source: Appropriation Accounts

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

3.4.6.2 Issue of surrender orders despite excess expenditure

In respect of one Appropriation and five Grants, Government issued surrender orders despite excess expenditure making the surrender orders defective. The details are as under:

Table 3.24: Cases of issue of surrender orders despite excess expenditure

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Original Budget	Supple- mentary Budget	Total	Expenditure	Excess (+)	Surrender (-)
App	ropriatio	n						
1	IX	Fiscal Administration (Loans Charged)	11,701.90	310.53	12,012.43	94,809.75	82,797.32	(-)818.07
Gra	nts							
2	II	Governor and Council of Ministers (Revenue Voted)	27.56	0.19	27.75	28.85	1.10	(-)0.07
3	IV	General Administration and Elections (Capital Voted)	3.64	0.00	3.64	5.78	2.13	(-)0.36
4	IX	Fiscal Administration (Revenue Voted)	12,446.31	32.66	12,478.97	25,958.30	13,479.32	(-)91.13
5	XXX	Cooperation (Revenue Voted)	129.57	0.02	129.59	132.84	3.26	(-)4.97
6	XXXV	Energy (Revenue Voted)	7,800.86	0.40	7,801.26	14,856.04	7,054.79	(-)6.64

Source: Appropriation Accounts

Box 3.2: Issuing surrender order for entire provision despite incurring full expenditure

At sub-head level a case of surrender of entire provision despite incurring full expenditure has occurred. The details are hereunder:

In original budget estimates an amount of ₹892 crore was provided under Major Head 6003 – Internal Debt of the State Government, Minor Head 106 – Compensation and other Bonds, Sub-head 06 - Ujwal Discom Assurance Yojana (UDAY). However, the

entire amount of ₹892 crore was withdrawn (31 March 2023) through Reappropriation orders with reasons mentioned as "savings are due to actual expenditure" which do not depict any relatable reasons for Reappropriation / Surrender.

In fact, expenditure of ₹892 crore was incurred (as per preliminary accounts of March 2023). Thus, withdrawal or surrender of a provision, on which expenditure is already incurred, through Reappropriation indicates lack of synchronisation with expenditure progress on a real time basis.

3.4.6.3 Issue of surrender orders in excess of actual savings

In respect of 5 Appropriations (one section each) and 23 Grants (32 sections), the surrender orders were issued for a total amount of ₹32,749 crore instead of actual savings of ₹32,628 crore.

The details are available in *Appendix 3.4*.

3.4.6.4 Surrender/Resumption orders at the fag end of the year

As per the Paragraph 17.2.2 of the Budget Manual, all savings, when they come to notice, are to be immediately surrendered with full explanation. Further, when proposals for surrender are made after 25 March, full explanations should be given as to why the savings could not be foreseen earlier.

However, though all the 401 Reappropriation/ Resumption orders³⁰, for overall reduction of provision by ₹80,454 crore, were issued on the last day of the financial year i.e., 31 March 2023 no explanation was on record as to why the savings could not be foreseen.

3.4.6.5 Reappropriations 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.

3.4.6.6 Budget Provision and Gap between Expectations and Actuals

Efficient management of tax administration/ other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some Departments deprive other Departments of the funds, which they could have utilised.

The total provision for expenditure (excluding Ways and Means Advances) in 2022-23 was ₹2,77,425 crore. The actual gross expenditure (excluding Ways and Means Advances) during the year was ₹2,14,967 crore. This resulted in savings of ₹62,458 crore in 2022-23. However, an amount of ₹80,454 crore was surrendered which was higher than the savings by ₹17,996 crore. All surrenders were made on 31 March 2023. The details are given in *Table 3.8*.

^{30 ₹7,765} crore for augmentation of the provision and ₹88,219 crore for reduction as per the Appropriation Accounts

Trends in the original budget, revised estimate, actual expenditure for the period 2018-19 to 2022-23 are given below:

Table 3.25 Original Budget, Allocation After Reappropriation and Actual Expenditure during 2018-23

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget (OB)	1,74,409	1,46,447	1,82,859	2,30,772	2,56,921
Supplementary Budget	23,542	24,257	25,131	24,144	20,504
Total Budget (TB)	1,97,951	1,70,705	2,07,990	2,54,916	2,77,425
Allocations After Reappropriations (AAR)	1,36,067	1,42,691	1,52,656	1,27,344	1,96,971
Actual Expenditure (AE)	1,39,747	1,50,009	1,64,634	1,95,818	2,14,967
Savings	(-) 58,204	(-) 20,696	(-) 43,356	(-) 59,098	(-) 62,458
Percentage of Supplementary to Original Budget	13	17	14	10	8
Percentage of overall saving/ excess to the overall budget	(-) 29	(-) 12	(-) 21	(-) 23	(-) 23
TB-AAR	61,884	28,014	55,334	1,27,572	80,454
AAR-AE	(-) 3,680	(-) 7,318	(-) 11,978	(-) 68,474	(-) 17,996
(TB-AAR) as per cent of TB	31	16	27	50	29
(AAR-AE) as per cent of TB	(-) 2	(-) 4	(-) 6	(-) 27	(-) 6

Source: Appropriation Accounts of last five years

Note: All the figures are excluding Repayment of Ways and Means Advances

Table 3.25 shows that supplementary provision of ₹20,504 crore during 2022-23 constituted 8 *per cent* of the original provision as against 10 *per cent* in the previous year.

From the above, it can be seen that over the years from 2018-19 to 2022-23, the Allocation After Re-appropriation (AAR) was always lower than the Total Budget (TB) of the State. The gap between TB and AAR is around 30 *per cent* during 2018-19, 2020-21 and 2022-23, while it was very high at 50 *per cent* in 2021-22 indicating huge Reappropriation in that year. Similarly, the difference between AAR and AE is also significant in 2021-22. In all the years AAR is lower than the AE indicating surrenders were more than the actual savings.

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 (SDF 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 (Scheme outlays) of the State which shall be proportionate to the Scheduled Castes and 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 and Scheduled Tribes hamlets, etc.

Government allocated ₹33,938 crore³¹ and ₹13,412 crore³² to SCSDF and STSDF respectively from the total outlay of Pragathi Paddu (₹1,41,971 crore) in 2022-23. The allocations account for 23.90 *per cent* and 9.45 *per cent* under SCSDF and STSDF respectively. Thus, the allocations were higher than the required contribution.

However, 58^{33} and 38 per cent³⁴ of the allocated funds under SCSDF and STSDF respectively were not utilised.

In fact, there is a persistent shortfall in utilisation as shown below:

Table 3.26: *Percentages* of expenditure and savings under SCSDF and STSDF in the last five years

(in per cent)

Cl No	Voor	SCSDF		STSDF		
Sl. No.	Year	Utilised	Short utilisation	Utilised	Short utilisation	
1	2018-19	38	62	57	43	
2	2019-20	79	21	74	26	
3	2020-21	60	40	63	37	
4	2021-22	73	27	73	27	
5	2022-23	42	58	62	38	

Source: Appropriation Accounts of last five years

Further, Section 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 Pragathi Paddu at the end of financial year in the manner prescribed. However, there was no mention of such compensation pertaining to previous years in the budget documents. Since, the allocation in respect of STSDF was near equal to the norms, it can be concluded that such compensation pertaining to the previous years has not been affected in the current year as per the Act.

Box 3.3: Booking of losses of DISCOMs taken over by the Government under UDAY as expenditure under SCSDF and STSDF

In the current year 2022-23, the State Government, though did not make any provision in Original Budget has, however, released³⁵ ₹7,061 crore towards taking over losses of DISCOMs pertaining to earlier years under UDAY. This expenditure was under Minor Head 190 - "Assistance to Public Sector and Other Undertakings".

Later, out of this expenditure of ₹7,061 crore already incurred, the State Government transferred ₹1,091 crore to Minor Head 789 - "Special Component Plan for Scheduled Castes" and ₹643 crore to Minor Head 796- "Tribal Area Sub-Plan", through book

³¹ ₹32,910 crore towards all Departments and ₹1,028 crore towards non-divisible infrastructure works

³² ₹12,972 crore towards all Departments and ₹440 crore towards non-divisible infrastructure works

³³ SCSDF: Budget (O+S): ₹34,386 crore, Expenditure: ₹14,534 crore (42 *per cent*) and Savings: ₹19,852 crore (58 *per cent*)

³⁴ STSDF: Budget (O+S): ₹14,258 crore, Expenditure: ₹8,775 crore (62 per cent) and Savings: ₹5,483 crore (38 per cent)

³⁵ ₹6,646 crore in June 2022 and ₹415 crore in December 2022

adjustments, proportionate to percentages mentioned in SDF Act. Since there was no provision for taking over losses under UDAY in the Budget Estimates for the year 2022-23, the Pragathi Paddu (Scheme Expenditure) also did not include this item.

Section 5 of the SDF Act stipulates that the Special Development Funds of the Departments shall include only such schemes that secure **direct and quantifiable benefits** to the Scheduled Caste / Scheduled Tribe individuals or Scheduled Caste / Scheduled Tribe households or Scheduled Caste / Scheduled Tribe habitations or Tribal areas that have the potential to bridge the gaps in the development following the norms laid down in the Act and rules made thereunder.

Since UDAY was meant for financial turnaround of the DISCOMs and the entire expenditure of ₹7,061 crore (including the ₹1,091 crore and ₹643 crore) was towards taking over losses already incurred by the DISCOMs up to 2019-20, it was not meant to secure direct and quantifiable benefit to the Scheduled Caste / Scheduled Tribe individuals or Scheduled Caste / Scheduled Tribe households or Scheduled Caste / Scheduled Tribe habitations or Tribal areas that have the potential to bridge the gaps in the development. The Government did not furnish any information on how it ensured that the expenditure booked had secured direct and quantifiable benefits to the targeted beneficiaries.

Moreover, since there was no provision in the budget estimates, this item was not found in the Pragathi Paddu either.

It was clear that book adjustments were made to inflate the target achievements under the SDF Act. Hence, the utilisation of 42 and 62 *per cent* under SCSDF and STSDF was overstated to that extent.

3.4.8 Transfers to Other Deposit Accounts

The Appropriation Act authorises expenditure under specified Grants, during the financial year. Hence, transfer of amounts from the Consolidated Fund to Civil Deposits (Major Head 8443 Civil Deposits – Minor Head 800 Other Deposits) under Public Account is a matter of concern as the drawals from Public Account (in the subsequent years) would not require approval of the Legislature.

An amount of ₹5,094 crore was transferred from Consolidated Fund to Other Deposits during the year 2022-23 by booking expenditure under Revenue (₹4,220 crore), Capital (₹200 crore) and Loans and Advances (₹674 crore) sections.

- Transfers to Other Deposits as Revenue Expenditure of more than ₹100 crore occurred in respect of Telangana Minorities Residential Educational Institutions Society (₹774 crore), Aarogyasri Health Care Trust (₹261 crore), Telangana State Housing Corporation (₹203 crore), Shaadi Mubarak (₹148 crore) and TSRTC (₹106 crore).
- Major transfers to other Deposits as Capital Expenditure occurred in respect of TS Drinking Water Supply Corporation Limited (₹200 crore).

• Loans to Aarogyasri Health Care Trust (₹474 crore) and Horticulture Development Corporation (₹200 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 generally classified in two categories; viz., (i) 'Charged' (such expenditure is not submitted to the vote of the Legislative Assembly) or 'Voted' items of expenditure separately, depending on whether the provision requires consent of Legislature by voting or not, and (ii) 'Revenue', 'Capital' or 'Loans' depending on the nature of expenditure.

Government accounting framework allows for different codes for the above at different levels as detailed in *Paragraph 1.3*. Important observations on misclassification of expenditure are brought out in State Finances Audit Reports. Classification of expenditure of revenue nature as capital expenditure or vice-versa, leads to overstatement / understatement of revenue expenditure and Revenue Deficit / Surplus.

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 ₹125 crore and spent ₹50 crore on purchase of surgical consumables under Capital, which should have been 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 ₹258 crore and spent ₹90 crore towards 'Minor Works' under Capital. Out of this, ₹145 crore was provided for Afforestation Fund towards Minor works, out of which ₹84 crore was expended. An amount of ₹113 crore was budgeted towards maintenance in Minor works under Capital and ₹6 crore was spent, which was not correct.

(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 3.27: Revenue Expenditure classified under Capital Section

Sl. No.	Particulars	Expenditure (₹ in crore)	Remarks
1	Expenditure on the Mahatma Gandhi National Rural Employment Guarantee Scheme	1,483	This Act is intended for enhancement of livelihood by providing guarantee wage employment. However, there was no supporting information to conclude that the assets belong to State Government and not to Local Bodies or Autonomous Bodies, which implemented the scheme at field level.
2	Constituency Development Programme	1,029	The scheme is intended for taking up Development Programmes in Constituencies. However, there was no supporting information to conclude that the assets belong to State Government.
	Total	2,512	

Source: Appropriation Accounts

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 ₹25 crore was booked under Revenue Section in the following cases:

Table 3.28: Capital Expenditure booked under Revenue Section

Sl. No.	Particulars	Expenditure (₹ in crore)
1	Purchase of Motor Vehicles	6
2	Machinery and Equipment – Purchases	14
3	Machinery and Equipment – Tools and Plants	5
	Total	25

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 apart from giving scope to embezzlement and siphoning of Government assets.

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.

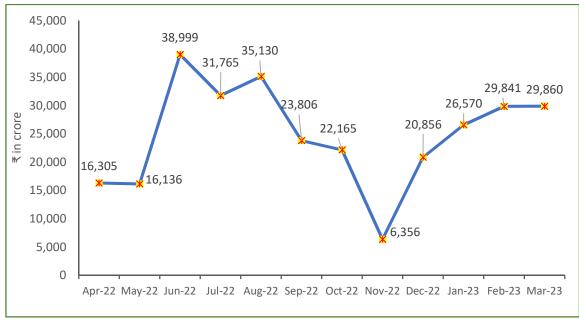


Chart 3.7: Trend of expenditure during 2022-23

Source: Appropriation Accounts

The expenditure was highest during the months from June 2022 to August 2022 and comparatively higher from January 2023 to March 2023. The higher expenditure across all these six months was on account of repayment of Ways and Means Advances. Apart from this, Investment Support Scheme (June, July and January), Market Loans Suspense (June, July and August), Interest on State Development Loans (August, January, February and March) and taking of DISCOMs losses under UDAY (June) have also contributed to higher expenditure during those months.

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

In the year 2022-23, the Government, however, opened 89 new sub-heads (62 under Revenue³⁶, 20 under Capital³⁷ and 7 under Public Account³⁸) without prior concurrence of the PAG (A&E). Original provision made under these sub-heads was ₹11,927 crore. Including supplementary provision of ₹3,890 crore, the total provision was ₹15,817 crore. Against this, an expenditure of ₹11,499 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.

³⁶ Budget Provision: ₹11,856 crore, Expenditure: ₹9,461 crore

³⁷ Budget Provision: ₹3,961 crore, Expenditure: ₹1,719 crore

³⁸ Budget Provision: Nil, Expenditure: ₹318 crore

3.5.3 Review of selected Grants

Two Grants *viz.*, (i) Grant No. XVII – Municipal Administration and Urban Development (MA&UD), and (ii) Grant No. XXXI - Panchayat Raj were selected for detailed scrutiny. Both the Grants had significant savings as shown in *Table 3.29*:

Table 3.29: Budget Provision, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

Section	Original	Supplementary	Total	Expenditure	Excess (+) / Savings (-)	Reappropriation / Surrender
Grant No. XV	II -Municipa	al Administration	and Urban	Development		
Voted						
Revenue	7,115	1,032	8,147	5,040	(-) 3,106	(-) 3,106
Capital	151	-	151	-	(-) 151	(-) 151
Loans	3,325	200	3,525	2,950	(-)575	(-) 575
Grant XVII Total	10,591	1,232	11,823	7,990	(-) 3,832	(-) 3,832
Grant No. XXX	XI – Pancha	yat Raj				
Voted						
Revenue	5,838	2,737	8,575	5,863	(-) 2,713	(-) 2,713
Capital	2,385	274	2,659	1,388	(-) 1,271	(-) 871
Loans	4,589	-	4,589	1,274	(-) 3,315	(-) 3,315
Subtotal	12,812	3,011	15,823	8,525	(-) 7,298	(-) 6,898
Charged						
Capital	-	1	1	-	(-) 1	(-) 1
Subtotal	-	1	1	-	(-) 1	(-) 1
Grant XXXI Total	12,812	3,012	15,824	8,525	(-) 7,299	(-) 6,899
Total	23,403	4,244	27,646	16,515	(-)11,131	(-) 10,731

Source: Appropriation Accounts

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

3.5.3.1 Grant No. XVII - Municipal Administration and Urban Development

(i) Overview of the Grant

The Grant is administrated by Municipal Administration and Urban Development (MA&UD) Department.

During the year 2022-23, the original allocation (₹10,591 crore) to this Grant was four *per cent* of the total original provision of ₹2,57,021 crore across all grants. The supplementary provision (₹1,232 crore) was six *per cent* of the total supplementary provision of ₹20,504 crore across all grants. The expenditure incurred (₹7,990 crore) constituted three *per cent* of total expenditure of ₹2,97,789 crore. The surrender of ₹3,832 crore is five *per cent* of the total surrenders (₹80,454 crore) and 32 *per cent* of the total provision (original and supplementary) for MA&UD Grant.

In respect of Revenue section mentioned in *Table 3.29* above, as the expenditure fell short of even the original provision, the supplementary provision of ₹1,032 crore obtained in February 2023 was unwarranted and could have been restricted to a token provision wherever necessary. In respect of Loans section also, the supplementary provision of ₹200 crore obtained in February 2023 was unwarranted as the expenditure fell short of even the original provision.

Under Capital section, out of the total provision of ₹151 crore, a meagre expenditure of ₹20,000 was only utilised leaving almost the entire provision unspent mainly due to surrender of entire provision towards Hyderabad Urban Agglomeration without any reasons (refer to *Box 3.1* in *Paragraph 3.4.3.1* regarding non-utilisation of entire provision on Hyderabad Urban Agglomeration scheme during past three years).

(ii) Persistent short utilisation of the allocations during the past five years

As mentioned earlier in *Paragraph 3.4.4.2*, MA&UD is one of the Grants in which persistent short utilisation of allocations have occurred during the past five years. The expenditure and unutilised allocations are shown in the chart below:

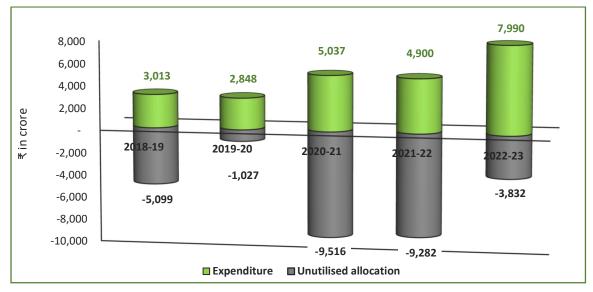


Chart 3.8: Expenditure and unutilised allocation in MA&UD Grant

Source: Appropriation Accounts of last five years

It can be noted from the above that though the short utilisation of the allocation was consistent across all the past five years, the quantum of unutilised allocation is more than the utilised allocation during 2018-19, 2020-21, and 2021-22. The main items contributing to savings are 'Hyderabad Urban Agglomeration', 'Smart Cities', 'AMRUT', 'Assistance to Municipalities under State Finance Commission' etc., under Revenue Voted. Schemes with savings of at least ₹100 crore in three out of the past five years are shown below:

Table 3.30: Sub-heads/Schemes with persistent short utilisation of allocations

(₹ in crore)

Sl. No	Scheme	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Smart Cities	127		422	726	685
2.	AMRUT	212		106	753	312
3.	Assistance to Municipalities under State Finance Commission	677	390			174
4.	Mission Bhagiratha – Urban	4		661	110	188
5.	Swachh Bharat	125		157	592	37

Sl. No	Scheme	2018-19	2019-20	2020-21	2021-22	2022-23
6.	Assistance to Municipalities / Corporations for interest free Loans (Vaddileni Runalu)		66	186	538	128
7.	Loans to HMDA for Outer Ring Road project	171			472	200
8.	Musi Riverfront Development	377	2		200	185
9.	Yadagirigutta Temple Development Authority	76	30	175	88	185

Source: Appropriation Accounts

(iii) Non-utilisation of entire Original Provision in the current year

In respect of the following Schemes/Programmes, the entire original provision of ₹100 crore and above was not utilised. The remarks mentioned while issuing Reappropriation orders by the Government as "savings are due to actual expenditure" were generic which do not depict any specific relatable reasons for Reappropriation / Surrender.

Table 3.31: Withdrawal of entire original Provision

(₹ in crore)

Sl. No	Scheme	Budget provision	Surrender / Reappropriation	Reasons / Remarks of the Department
1.	Metro connectivity to Old City	500	500	Non-commencement of works
2.	Airport Metro Connectivity	378	378	Non-commencement of works
3.	Loans to HMDA for Outer Ring Road project	200	200	Amount not released.
4.	Hyderabad Urban Agglomeration	151	151	No reasons furnished
5.	Land pooling seed money	100	100	No reasons furnished

Source: Appropriation Accounts

(iv) Non-utilisation of Original as well as Supplementary Provision during the current year

During the current year 2022-23, an amount of ₹10 crore was allocated towards "Assistance to Warangal Municipal Corporation", which was supplemented by another ₹10 crore. However, the entire provision of ₹20 crore was withdrawn / surrendered by mentioning 'savings are due to actual expenditure' without any specific reasons. In fact, similar withdrawal of the entire original and supplementary provision of ₹250 crore occurred in 2021-22.

(v) Non-utilisation of entire Supplementary Provision during the current year

In 2022-23, an amount of ₹725 crore was allocated towards 'Loans to Hyderabad Metropolitan Water Supply & Sewerage Board (HMWSSB) for Sunkishala Intake project KDWSP'. The supplementary provision towards this item was another ₹200 crore taking the total provision to ₹925 crore. However, the actual Loan given to HMWSSB towards this item was only ₹725 crore. Orders of surrender /Reappropriation were issued for withdrawal of ₹200 crore provided through supplementary demands. Thus, the entire supplementary provision remained unutilised.

No reasons were put forth either for proposing the supplementary provision or nonutilisation of the supplementary provision entirely.

In the previous year 2021-22, entire original provision of ₹725 crore was re-appropriated / surrendered without any specific reasons.

(vi) Insufficient Supplementary Provisions

In respect of the following schemes, supplementary provisions obtained were insufficient by more than ₹100 crore in each case.

Table 3.32: Instances where supplementary provision obtained was insufficient by more than ₹100 crore in each case

(₹ in crore)

Scheme	Original Budget	Supplementary Budget	Reappropriation	Expenditure
Assistance to Municipalities for Development works	0.001	1,000	355	1,355
Finance Commission Grants to Million Plus Cities (HYD)	330	10	120	460
Warangal Smart City		0.01	100	100

Source: Appropriation Accounts

(vii) Withdrawal / surrender of budgetary provision in respect of payment of taxes to Greater Hyderabad Municipal Corporation

The approved provisions in respect of (i) 'Payment of Property Tax to GHMC for the Government Buildings in Twin Cities' and (ii) 'Professional Tax compensation to Greater Hyderabad Municipal Corporation' were not spent and were withdrawn / surrendered during the past five years as shown below:

Table 3.33: Approved Budget Provisions and non-incurring of expenditure in respect of payments to be made to Greater Hyderabad Municipal Corporation

(₹ in crore)

Scheme/Year	Original Budget	Supplementary Budget	Reappropriation	Expenditure						
Payment of Property Tax	Payment of Property Tax to GHMC for the Government Buildings in Twin Cities									
2018-19	32	-	(-) 32	-						
2019-20	10	-	(-) 10	-						
2020-21	8	-	(-) 8	-						
2021-22	8	-	(-) 8	-						
2022-23	10	-	(-) 10	-						
Professional Tax compens	ation to Great	ter Hyderabad Mı	ınicipal Corporatio	n						
2018-19	31	-	(-) 31	-						
2019-20	10	-	(-) 10	-						
2020-21	10	-	(-) 10	-						
2021-22	10	-	(-) 10							
2022-23	10	-	(-) 10	-						

Source: Appropriation Accounts

3.5.3.2 Grant No. XXXI- Panchayat Raj

(i) Overview of the Grant

The grant is administered by the Panchayat Raj Department.

During the year 2022-23, the original allocation (₹12,812 crore) to this Grant in the Budget was 5 *per cent* of the total Original Budget provision (₹2,57,021 crore). The supplementary provision was (₹3,012 crore) was 15 *per cent* of the total supplementary provision of ₹20,504 crore. The expenditure incurred (₹8,525 crore) constituted 3 *per cent* of the total expenditure (₹2,97,789 crore). The surrender of ₹6,899 crore was 9 *per cent* of the total surrenders (₹80,454 crore) and 44 *per cent* of the total provision for Panchayat Raj Grant.

Only ₹8,525 crore was expended out of the total allocation of ₹15,824 crore, which means nearly 46 *per cent* of the allocations approved to the Panchayat Raj Grant could not be utilised.

The expenditure of ₹5,863 crore under Revenue Voted section was almost equal to the original budget of ₹5,838 crore. Thus, the supplementary provision of ₹2,737 crore obtained in February 2023 was hugely excessive.

In respect of Capital Voted section, as the expenditure of ₹1,388 crore fell short of even the original provision of ₹2,385 crore, the supplementary provision of ₹274 crore was unwarranted. While the actual short utilisation of allocation was ₹1,271 crore, surrender orders were issued only for ₹871 crore.

The expenditure (₹1,274 crore) under Loans Voted Section was only 28 *per cent* of the original allocation (₹4,589 crore).

(ii) Surrender of charged supplementary provision

The State Government authorised (December 2022) sanction of an advance of ₹1.05 crore from the Contingency Fund for meeting expenditure to be incurred on Mission Bhagiratha (Sub head 31) - Major Works (Detailed Head - 530) - Lands (Object Head - 532). Subsequently, a demand was raised through supplementary estimates for recoupment of advance taken from Contingency Fund. The same was included in the Supplementary Appropriation Act (February 2023).

However, this authorised amount was not drawn from the Contingency Fund. The entire amount was surrendered / withdrawn with remarks 'savings due to actual expenditure'.

(iii) Loans to Telangana Drinking Water Supply Corporation Limited

Outcome budget for Panchayat Raj Grant mentioned that Telangana Drinking Water Supply Corporation Limited has drawn a loan amount of ₹27,838 crore from various Banks. The principal repayment and interest payment to be paid on outstanding balances were worked out for the year and an amount of ₹4,383 crore was proposed as Loans to TDWSCL for Mission Bhagiratha in the budget under Loans head by the Panchayat Raj Department. However, a total of ₹4,589 crore was authorised by the Legislature under Loans to TDWSCL.

Subsequently, an amount of ₹3,315 crore was withdrawn/surrendered leaving a balance of ₹1,274 crore. No reasons were mentioned for short utilisation of allocation.

(iv) Not obtaining allocation in the original provision

Supplementary provision of ₹1,876 crore³⁹ was obtained towards Assistance to Gram Panchayats. No reasons were mentioned as to why approval for such a huge amount could not be obtained in the original budget estimate itself as the expenditure was not in the nature of a subsequent plan or a contingency that has arisen during the year. The entire amount has been spent by transfer to Gram Panchayats as Grants-in-Aid.

(v) Huge short utilisation of allocation under Jal Jeevan Mission

Government of India (GoI) has initiated Jal Jeevan Mission with an aim to provide functional household tap connection to every rural household by 2024 with a funding pattern of 50:50 for Centre and State. An amount of 1,000 crore was allocated under Capital section. However, the expenditure was only ₹5 crore resulting in non-utilisation of more than 99 *per cent* of the allocation due to non-release of its share of funds by GoI and consequent non-release by the State Government.

(vi) Insufficient Supplementary Provision

Under Capital section for Mission Bhagiratha the original provision was of ₹520 crore, which was supplemented by ₹240 crore. The expenditure was ₹932 crore. Thus, in view of the final expenditure the supplementary provision of ₹240 crore proved insufficient.

3.6 Conclusion

Review of Budget revealed that Non-Tax Revenue and Grants-in-Aid have been overestimated. Not only in the original budget estimates, even in the Revised Estimates, presented in February 2023, huge receipts in the form of Inter-State Settlement were estimated, which were not realised.

As a result of overestimating the Receipts, Budget Estimates for expenditure have also been overestimated leading to unspent provision in several grants. Like earlier years, administrative expenses like interest on State Development Loans and Pensionary charges were underestimated giving scope for more projections to development or welfare activities.

The trend of underestimation of administrative expenses and overestimation 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 was also observed in respect of charged and voted expenditure.

Incurring expenditure without budget provisions not only continued this year, but the same also increased significantly. The commitment under UDAY regarding taking over losses of DISCOMs, which is known to the Government for the past few years was discharged during the year. However, the Government failed to obtain the approval of the Legislature.

 ^{₹1,416} crore under Minor Head 198 - Assistance to Gram Panchayats; ₹290 crore under Minor Head 789
 - Special Component Plan for Scheduled Castes; and ₹170 crore under Minor Head 796 – Tribal Area Sub-Plan

Similarly, the Government failed to obtain the approval of the Legislature for investment made in Telangana State Road Development Corporation. Due to an error, approval for Loans provided to TS MARKFED was obtained under Capital section.

During the year, an amount of ₹1,05,565 crore was incurred as excess expenditure. The State Government also failed to get the excess expenditure of ₹2,89,115 crore over and above the allocation, pertaining to the years 2014-15 to 2021-22, regularised by the State Legislature. This is in violation of Article 204 of the Constitution.

Entire provision approved for in the current year remained unspent in respect of Schemes like Construction of Two Bed Room Houses to Rural and Urban Poor, Assistance to Sheep and Goat Development Cooperative Federation Limited, Oil Palm cultivation, Kaleshwaram Tourism Circuit, Regional Ring Road, Metro connectivity to Old city, Airport Metro Connectivity, Hyderabad Urban Agglomeration, etc. Similarly, there were several cases of non-utilisation of entire supplementary provision as also entire original and supplementary provisions.

Huge allocation also remained unspent in respect of schemes like Telangana Dalit Bandhu, Scheme for debt relief to farmers, Loans to Telangana Drinking Water Supply Corporation Limited etc. There were cases of issuing of surrender / reappropriation orders despite actual / excess expenditure as also surrenders in excess of actual savings indicating that the orders were not based on real time data.

Under SCSDF and STSDF, 58 and 38 *per cent* of the allocated funds respectively were not utilised. Even out of the utilised funds, losses of DISCOMS taken over by the Government in pursuance of UDAY were apportioned between Special Component Plan for Scheduled Castes and Tribal Area Sub-Plan, which may not result in direct and quantifiable benefits to the intended categories.

Misclassifications of expenditure on surgical consumables, minor works on afforestation under Capital and purchase of machinery, equipment, motor vehicles, tools and plants under Revenue continued in the current year also.

There were persistent huge savings under Municipal Administration and Urban Development Grant. Substantial savings occurred in respect of Smart Cities during the past two years. Entire provisions made to Metro connectivity to Old City and Airport Metro Connectivity during the year remained unspent.

Under Panchayat Raj Grant, huge supplementary provision made towards 'assistance to Gram Panchayats' could have been obtained through original estimates. Meagre expenditure was incurred on Jal Jeevan Mission despite huge provision.

3.7 Recommendations

- (i) The State Government needs to ensure regularisation of excess expenditure since 2014-15 by the State Legislature on top priority.
- (ii) State Government needs to formulate Budget Estimates on realistic and realisable basis for effective implementation of its authorised expenditure. 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 IV Quality of Accounts and Financial Reporting Practices

Chapter IV

Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system with relevant and reliable information contributes significantly to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

This Chapter provides an overview on the quality of Accounts and compliance of the State Government's financial reporting practices with prescribed financial rules, procedures and directives regarding completeness, transparency, measurement and disclosure.

Issues related to completeness of Accounts

4.2 Non-discharge of interest liability in respect of interest-bearing Reserve Funds and Deposits

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

Table 4.1: Non-Discharge of interest liability

(₹ in crore)

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

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

Source: Finance Accounts

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

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

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

4.3 Funds transferred directly to State Implementing Agencies

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

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

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

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

20,000 18,726 18,392 18,000 16,000 13,399 14,000 12.000 10,018 9,795 10,000 8,000 6,000 4,000 2.000 0 2018-19 2019-20 2020-21 2021-22 2022-23

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

Source: Finance Accounts

Details of all direct transfers during 2022-23 are available in Appendix-VI of the Finance Accounts. It can be seen from above that such direct transfer to State Implementing Agencies during the year reduced by 46 *per cent* in comparison to the previous year. Some of the major transfers to State Implementing Agencies are shown in *Table 4.2*:

Table 4.2: Major transfers directly made to State Implementing Agencies

Sl. No.	Institution and Scheme	Amount (₹ in crore)
1	Telangana State Civil Supplies Corporation towards Food Subsidy for Decentralised Procurement of Food grains under NFSA	5,243
2	Commissioner, Rural Development towards Mahatma Gandhi National Rural Employment Guarantee Scheme	2,127
3	Department of Agriculture towards Pradhan Mantri Kisan Samman Nidhi	2,022

Source: Finance Accounts

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

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

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

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

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

4.4 Deposits of Local Funds

Local Funds pertaining to Panchayat Raj Institutions and Urban Local Bodies are maintained in State Government Accounts under Deposits section in Public Account. These accounts include the money realised under the Acts concerned and monies received by these Local Bodies as Grants from Finance Commissions of Central and State Governments. Disbursements are made by Gram Panchayats towards sanitation, plantation, street lighting, etc.⁶ while Municipalities spend towards water supply, sanitation, public streets, street lighting, markets, etc⁷. The details of Deposits of Local Funds with the State Government are as under:

Table 4.3: Deposits of Local Funds

(₹ in crore)

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

Source: Finance Accounts

^{*} Opening Balance differs with the Closing Balance of previous years due to apportionment of balances between Andhra Pradesh and Telangana and is under reconciliation

⁶ Telangana Panchayat Raj Act, 2018

⁷ Telangana Municipalities Act, 2019

The Municipal Fund included (i) XIII Finance Commission Grants (₹551 crore),

- (ii) Municipal Corporation Fund (₹502 crore), (iii) General Funds (₹266 crore), and
- (iv) Municipal Employees Salary Fund (₹109 crore).

The Village Panchayat Fund included (i) State Finance Commission Grants (₹476 crore),

(ii) General Funds (₹392 crore), and (iii) XIII Finance Commission Grants for Gram Panchayats (₹181 crore).

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

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

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

Issues related to Transparency

4.5 Abstract Contingent Bills

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

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

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⁸ G.O.No.507, dt.10-04-2002

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

Table 4.4: Year-wise details of drawal of AC bills and submission of DC bills

	AC bills Drawn		DC bills submitted		Unadjusted AC bills	
	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
Up to 2020-21	27,542	2,568	27,338	2,507	204	61
2021-22	2,744	700	2,717	635	27	65
2022-23	455	114	365	49	90	65
Total	30,741	3,382	30,420	3,191	321	191

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

Audit observed the following:

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

4.6 Personal Deposit Accounts

Personal Deposit (PD) Accounts, commonly known as Personal Ledger Accounts are maintained in the treasuries in the nature of banking accounts. A PD Account enables the Drawing Officers to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State.

Personal Deposit Accounts are established in the following manner:

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

Personal Deposit Accounts may also be opened in favour of specified Government
Officers, by transferring funds from the Consolidated Fund of the State for discharging
the liabilities of the State Government in respect of execution of various projects,
schemes, etc.

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

4.6.1 Status of Personal Deposit Accounts

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

Table 4.5 Details of Personal Deposit Accounts

Sl. No.	Description	No. of Accounts	Amount (₹ in crore)
1	Number of Personal Deposit Accounts existing at the beginning of the year	147 ¹⁰	130
2	New Personal Deposit Accounts opened during the year		
3	Receipts into the Personal Deposit Accounts during the year		2,013
4	Total	147	2143
5	Payments during the year		1850
6	Amount lapsed during the year		143
7	Personal Deposit Accounts closed during the year	16	0.01
8	Personal Deposit Accounts existing at the end of the year	131	150

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

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

4.6.2 Non-closure of in-operative Personal Deposit Accounts

As per Article 271(iii) (4) of Telangana Financial Code Volume I, in cases where the Personal Deposit Accounts are created by debit to the Consolidated Fund, such Personal Deposit Accounts should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. The Personal Deposit Account can be opened next year again, if necessary, in the usual manner. If any Personal Deposit

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

Account is not operated upon for a considerable period and there is reason to believe that the need for such Deposit Account has ceased, such accounts shall be closed in consultation with the officer in whose favour the Personal Deposit Account has been opened.

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

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

4.7 Opaqueness in Accounts

Article 30 of Accounts Code (Volume -I) stipulates that as a general rule, the classification of transactions in Government accounts shall have closer reference to the function, programme and activity of the Government and the object of the revenue or expenditure, rather than the Department in which the revenue or expenditure occurs. Minor Head - 800 relating to Other Receipts or Other Expenditure is intended to be operated only when the appropriate Minor Head is not available under the Major Head. Routine operation of Minor Head - 800 is to be discouraged, as it renders the accounts opaque. Transactions under this Minor Head during the years 2018-19 to 2022-23 are detailed in *Charts* below:

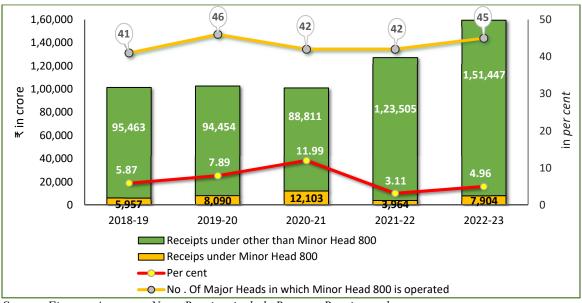


Chart 4.2: Operation of Minor Head 800 – Other Receipts during 2018-19 to 2022-23

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

¹¹ G.O.Ms.NO.43, dated 22 April 2000

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

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

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

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

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

46 1,80,000 50 44 1,60,000 38 40 1,40,000 م 1,20,000 30 ©1,00,000 ⊆ 80,000 ₩ 60.000 21.62 1,63,340 1,69,133 17.62 17.54 20 60,000 L,09,053 98,623 1,03,612 40,000 10 1 41 20,000 30,081 22,045 21,101 **2,338** 2021-22 **2,154** 2022-23 2018-19 2019-20 2020-21 Expenditure under other than Minor Head 800 Expenditure under Minor Head 800 Per cent --- No . Of Major Heads in which Minor Head 800 is operated

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

Source: Finance Accounts

Note: Expenditure includes both Revenue and Capital Expenditure

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

Indiscriminate use of Omnibus Minor Head 800 – Other Receipts/Expenditure increases the opaqueness in accounts, which is undesirable. Classification of amounts under the omnibus Minor Head 800 affects transparency in financial reporting. It distorts proper analysis of allocative priorities and quality of expenditure and receipts.

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

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

Even at detailed head level, expenditure was classified as Other Charges making it difficult to identify the nature/form/object of the expenditure. During 2022-23, the expenditure of ₹3,633 crore was booked under Detailed Head 500 – Other Charges (2.12 per cent of total Expenditure). This includes ₹370 crore under Minor Head – 800 Other Expenditure and ₹1,483 crore under MGNREGA. Classification of large amounts under the Detailed Head 500 - Other Charges affects transparency in financial reporting.

4.7.1 Use of omnibus Minor Head - 800 despite availability of specific Minor Heads

The Omnibus Minor Head - 800 (with the relatable Sub-Head / Detailed head) was operated despite availability of specific Minor Head in the following cases:

Table 4.6: Use of Minor Head 800 with relatable Sub-Head despite availability of specific Minor Head

Sl. No.	Classification under Minor Head – 800	Description of Sub- Head used	Related specific Minor Head to be used	Description of related specific Minor Head Available	Amount (₹ in Lakh)	
Rece	Receipts					
1	0070-60- 800 -25	Receipts under Right to Information Act, 2005	0070-60-118	Receipts under Right to Information Act, 2005	1.33	
2	0202-04- 800 -01	Receipts of the Department of Archaeology	0202-04- 101	Archives and Museums	53.71	

Source: Finance Accounts

Classification of receipts and expenditure under Omnibus Minor Head - 800, despite availability of specific Minor Heads, shows laxity in correct depiction of Receipts and Expenditure in Accounts.

Issues related to Measurement

4.8 Outstanding balances under Suspense and DDR Heads

The transactions relating to "Suspense" and "Remittances" heads are intended to record all adjusting heads. Certain intermediary/adjusting Heads of Accounts known as 'Suspense Heads' are opened in Government Accounts to reflect transactions of Receipts and Payments which cannot be booked to a final Head of Account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries / Pay and Accounts Officers, non-receipt of clearance memos from RBI, non-receipt of vouchers, etc. These Heads of Accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final Heads of Account. If these amounts are not cleared, the balances under suspense heads get accumulated and this does not provide a correct picture of the Government's receipts and expenditure.

'Remittances' embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads that are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

The status of the balances under suspense and remittance heads for the last three years is given in the *Table 4.7*:

Table 4.7: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2020	0-21	202	1-22	202	2-23
	Debit (Dr)	Credit (Cr)	Debit (Dr)	Credit (Cr)	Debit (Dr)	Credit (Cr)
Major Head 8658 - Suspense						
101 - PAO suspense	547.13	405.16	701.11	608.09	870.97	798.90
Net Balance		Dr 141.97		Dr 93.02		Dr 72.07
102 - Suspense Account-Civil	1,358.34	1,605.59	2,975.95	3,399.80	5,117.83	5,548.16
Net Balance		Cr 247.25		Cr 423.85		Cr 430.33
109 - Reserve Bank Suspense -	5.22	(-)0.33	5.23	2.78	5.22	2.72
Headquarters						
Net Balance		Dr 5.55		Dr 2.45		Dr 2.50
110 - Reserve Bank Suspense –	(-)10.88	(-)11.28	(-)10.98	(-)11.38	0.10	(-)0.14
CAO						
Net Balance		Cr 0.40		Cr 0.40		Dr 0.24
112 - Tax Deducted at Source	(-)0.01	92.10	(-)0.01	618.68	(-)0.00	938.00
(TDS) Suspense						
Net Balance		Cr 92.11		Cr 618.69		Cr 938.00
123 - A.I.S Officers' Group	0.01	0.09	0.00	0.11	0.00	0.13
Insurance Scheme						
Net Balance		Cr 0.08		Cr 0.11		Cr 0.13
Major Head 8782-Cash Remittan	ces					
102 - P.W. Remittances	265.69	159.74	154.03	169.07	144.99	142.35
Net Balance		Dr 309.79		Dr 294.75		Dr 297.39
103 - Forest Remittances	430.35	531.21	392.62	960.33	746.13	286.43
Net Balance		Cr 488.32	C	r 1,056.03		Cr 596.33
Major Head 8793-Inter State	102.42	29.47	68.45	29.51	72.03	29.36
Suspense Account						
Net Balance		Dr 72.95		Dr 38.94		Dr 42.67

Source: Finance Accounts

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

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

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

4.9 Reconciliation of Accounts

Generally Accepted Accounting Principles prescribe that it is necessary to carry out periodic and regular reconciliation of accounts to provide accuracy and consistency in financial accounts. Reconciliation and verification of figures enable the Chief Controlling Officers (CCOs) to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts. Government Orders¹⁵ and Financial Rules¹⁶ stipulate that expenditure recorded in the books of CCOs of Departments is to be reconciled with the books of the Principal Accountant General (Accounts and Entitlements) every month.

Table 4.8: Status of Reconciliation of Receipts and Expenditure figures

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

Source: Finance Accounts

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

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

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

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

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

¹⁶ Article 9 of Financial Code

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

Non-reconciliation impacts the assurance that all the receipts/expenditure have been taken to the final Head of Account properly. Failure to exercise this check might result in misclassification and incorrect booking of receipts and expenditure in the accounts.

4.10 Reconciliation of Cash Balances

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

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

Issues related to Disclosure

4.11 Compliance with Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified four¹⁹ Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Telangana in 2022-23 and deficiencies therein are detailed in *Table 4.9.*

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

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

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

Table 4.9 Compliance with Accounting Standards

Sl. No.	Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
1	IGAS 1: Guarantees Given by the Government – Disclosure requirements	The standard requires the Government to disclose the maximum amount of Guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Not fully complied with (Statements 9 and 20 of Finance Accounts)	 The Government did not disclose the Guarantees to the extent of ₹50,000 crore given to Telangana State Civil Supplies Corporation and ₹16,000 crore given to Power Sector. Though sector-wise / class-wise details were disclosed, detailed information like the number of Guarantees given institution-wise was not disclosed. The details of guarantees invoked during 2022-23, discharged or not discharged are not disclosed.
2	IGAS 2: Accounting and Classification of Grants-in- Aid	Grants-in-Aid are to be classified as Revenue Expenditure in the accounts of the Grantor and as Revenue Receipts in the accounts of the Grantee, irrespective of the end use.	Not fully complied with (Statement 10 of Finance Accounts)	 Certain Grants-in-Aid (₹5.09 crore) were classified under Capital section in contravention of the accounting standards. Detailed information regarding Grants-in-Aid, was not disclosed by the State Government.
3	IGAS 3: Loans and Advances made by Governments	This standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial statements to ensure complete, accurate and uniform accounting practices.	Not fully complied with (Statement 7 and Statement 18 of Finance Accounts)	Details of loans given were not confirmed by State Government/ some Loan entities.

Source: Indian Government Accounting Standards and Finance Accounts

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

4.12 Submission of Accounts / Separate Audit Reports of Autonomous Bodies

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

There were 31 ABs under the audit purview as per Section 19 or 20 of the CAG's DPC Act, which were required to submit their Annual Accounts to the CAG before 30 June every year. Out of 31, only two²⁰ ABs have submitted their accounts up to 2022-23.

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

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

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

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

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

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

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

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

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

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

In order to identify institutions / organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's DPC Act), information regarding financial assistance given by the Government in the form of grants and / or loans is required. As per Regulation 88 of Regulations on Audit and Accounts, 2020, Governments and Heads of Departments (HoDs) which sanction grants and/or loans to bodies or authorities shall furnish to the audit office, by end of July every year, a statement of such bodies and authorities to which grants and/or loans aggregating rupees ten lakh or more were paid during the preceding year indicating: (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority.

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

4.14 Follow- up action on State Finances Audit Reports

As per the instructions issued by Finance and Planning Department in November 1993, Administrative Departments are required to submit Explanatory Notes within three months of presentation of Audit Reports to Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating action taken or proposed to be taken. The Comptroller and Auditor General of India has been flagging year after year, issues relating to financial and budgetary management, lapses in compliance with prescribed procedures, rules and regulations by the State Government departments / authorities.

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

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

4.15 Conclusion

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

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

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

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

4.16 Recommendations

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

Chapter V Working 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 SPSUs conducted by the CAG.

State Public Sector Undertakings (SPSUs) 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 SPSUs 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 Section143 of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. 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 SPSUs 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 Reorganization Act, 2014. As per the provisions of the AP Reorganization Act, 2014, a SPSU was allocated to the State in which it is exclusively located, or its operations are exclusively confined to. Assets and liabilities of SPSUs 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 2023, there were 83 SPSUs 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 SPSUs, 67 were working and 16 were inactive² SPSUs. Two SPSUs, namely, Andhra Pradesh Tribal Power Company Limited, and Infrastructure Corporation of Andhra Pradesh Limited, under demerger, are included in working SPSUs.

The nature of SPSUs and the position of accounts of 83 SPSUs as on 30 September 2023 are detailed in *Table 5.1*:

T of CDCII.	Total		SPSUs who ed as of 30	No. of SPSUs whose accounts are in		
Type of SPSUs	No. of SPSUs	Up to 2020-21	Up to 2021-22	Up to 2022-23	Total	arrears (No. of accounts in arrears)
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2) - (5)
Government Companies	61	7	13	12	32	49 (162)
Statutory Corporations	3	0	0	0	0	3 (20)
Government Controlled Other Companies	3	0	1	0	1	3 (14)
Total Working SPSUs	67	7	14	12	33	55 (196)
Inactive Government Companies	16	0	0	0	0	16 (405)
Grand Total	83	7	14	12	33	71(601)

Table 5.1: Number of SPSUs and status of accounts

Source: Annual accounts submitted by Telangana SPSUs

Out of 67 working SPSUs, 49 SPSUs³ whose accounts were in arrears for three or more years as on 30 September 2023 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 2023 as furnished by SPSUs (both power and non-power sectors), analysis of financial performance of 18 working SPSUs has been covered in this Chapter.

⁽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 Including 13 SPSUs in respect of which first accounts were awaited

The position of arrears of accounts of all 83 SPSUs, both working and inactive as on 30 September 2023 are given in *Appendix 5.1*. The summary of financial performance of 18 working SPSUs is given in *Table 5.2* below:

Table 5.2: Summary of financial performance of 18 SPSUs

(₹in crore)

Number of working SPSUs	67
SPSUs covered in this Report	18
Paid up Capital (18 SPSUs)	₹20,536.93
Long term Loans (18 SPSUs)	₹78,035.15
Net profit (06 SPSUs)	₹3,857.48
Net loss (11 SPSUs)	₹(-)11,969.66
Zero Profit/ Loss (1 SPSU)	-
Dividend declared (01 SPSUs)	₹129.99
Net worth ⁴ (18 SPSUs)	₹(-)33,005.15

Source: Accounts/information furnished by SPSUs

5.4 Contribution of SPSUs to the Economy of the State

The ratio of turnover of the SPSUs to the Gross State Domestic Product (GSDP) shows the contribution of SPSUs to the economy of the State.

The details of turnover of 18 working SPSUs and GSDP during the three-year period ending March 2023 are as detailed in *Table 5.3*:

Table 5.3: Details of turnover of working SPSUs vis-a-vis GSDP of Telangana (₹in crore)

Sector	2020-21	2021-22	2022-23
Power	63,217.89	79,334.81	94,793.90
Agriculture	1.00	43.75	25.46
Infrastructure	12.21	16.66	16.19
Manufacturing	276.75	288.35	320.55
Service	2.42	7.36	1.82
Finance	0.00	0.00	0.00
Others	50.08	52.59	46.82
Total Turnover	63,560.35	79,743.52	95,204.74
GSDP of Telangana (as on 1 August 2023)	9,61,800	11,48,115	13,13,391
Percentage of Turnover to GSDP of Telangana	6.61	6.95	7.25

Source: Turnover figures are as per accounts/information furnished by the SPSUs and GSDP figures are as per Ministry of Statistics and Program Implementation, GoI

The contribution of 18 SPSUs to GSDP of Telangana increased from 6.61 *per cent* in 2020-21 to 7.25 *per cent* in 2022-23, as the turnover of these 18 SPSUs was 19.39 *per cent* higher compared to previous year. Among the 18 SPSUs, power sector SPSUs alone reported 99.57 *per cent* of the turnover contributing 7.22 *per cent* to GSDP, whereas remaining SPSUs in non-power sector contributed only 0.03 *per cent* to GSDP during the

⁴ Net worth = Total share capital – share application money + Accumulated profit- Deferred revenue expenditure

year 2022-23. The Singareni Collieries Company Limited (SCCL) reported 30.88 *per cent* higher (by ₹5,135.62 crore) revenue from coal operations compared to previous year. Similarly, Southern Power Distribution Company of Telangana Limited reported 28.99 *per cent higher* (by ₹6,339.35 crore) revenue from LT and HT supply of power compared to the previous year.

5.5 Investment in SPSUs and Budgetary Support

5.5.1 Equity holding and Long-term loans of the State Government in SPSUs

The amount of equity and loans in 18 working SPSUs as at the end of 31 March 2023 is given in *Table 5.4*:

Table 5.4: Total investment in Telangana SPSUs

(₹in crore)

	Invest	ments as on 3	31.03.2022	Investments as on 31.03.2023			
Sources of Investment	*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	847.56	0.00	847.56	847.56	0.00	847.56	
2. State Government/State Government Companies/ Corporations	19,689.27	7,462.99	27,152.26	19,688.85	8,428.59	28,117.44	
3. Financial Institutionsand Others	0.82	74,312.26	74,313.08	0.52	69,606.56	69,607.08	
Total	20,537.65	81,775.25	1,02,312.90	20,536.93	78,035.15	98,572.08	
Percentage of State Government Investment to Total Investment	95.87	9.13	26.54	95.87	10.80	28.52	

Equity includes share application money

Source: Accounts/information furnished by SPSUs

The overall decrease in total loan of the 18 SPSUs was ₹3,740.10 crore as compared to the previous year. During the year, there was repayment of loan mainly in Transmission Corporation of Telangana Limited (₹345.02 crore), Telangana Power Finance Corporation Limited (₹633.80 crore) and Telangana State Housing Corporation Limited (₹7,428.10 crore). However, the increase in loans during 2022-23 was mainly in Telangana State Power Generation Corporation Limited (₹2,372.58 crore) and Southern Power Distribution Company of Telangana Limited (₹1,099.69 crore).

Sixteen SPSUs were inactive for nine to 38 years (*Appendix 5.1*). The State Government had invested an amount of ₹198.87 crore in the form of capital (₹34.98 crore) and long-term loans (₹163.89 crore) in the inactive SPSUs. We are unable to make any assessment of this State Government investment due to non-furnishing of accounts/ information by these SPSUs, despite being requested for every year.

The pattern of cumulative investment made by the State Government in 18 working SPSUs at the end of financial years 2020-21 to 2022-23 is given in *Table 5.5*.

Table 5.5: Investment of State Government in SPSUs

(₹in crore)

Cartan	Year						
Sector	2020-21	2021-22	2022-23				
Power	23,706.21	20,722.96	20,407.16				
Agriculture	0.00	0.00	0.11				
Infrastructure	4,083.52	6,348.05	7,664.71				
Manufacturing	69.31	69.31	32.87				
Services	12.12	11.89	12.54				
Finance	0.00	0.00	0.00				
Others	0.05	0.05	0.05				
Total	27,871.21	27,152.26	28,117.44				

Source: Accounts / information furnished by SPSUs

As on 31 March 2023, investment of the State Government in equity and long- term loans in these 18 SPSUs was ₹28,117.44 crore. The outstanding loans of State Government in these 18 SPSUs increased from ₹7,462.99 crore as on 31 March 2022 to ₹8,428.59 crore as on 31 March 2023. During 2022-23, there was an equity infusion of ₹0.10 crore in the Manjeera Lift Irrigation Corporation Limited (*Appendix 5.2*).

Details of significant holding (holding of more than ₹500 crore) of the State Government during 2022-23 in the paid-up capital of the SPSUs is given in *Table 5.6*:

Table 5.6: Significant equity holding of the State Government

(₹in crore)

Name of the SPSU	Name of the Administrative Department of Government of Telangana	Amount of Paid-Up Capital Invested
Power Sector SPSUs		
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 GenerationCorporation Limited	Energy Department	869.64
Total		19,642.37

Source: Accounts / information furnished by SPSUs

A significant amount (99.76 per cent) of the total equity investment of ₹19,688.85 crore of the State Governmentwas in the above four SPSUs.

5.5.2 Restructuring, Disinvestment and Privatisation of SPSUs

During the year 2022-23, there was neither disinvestment of any SPSU in Telangana State nor was any SPSU privatized.

5.5.3 Budgetary Support to SPSUs

The State Government provides financial support to SPSUs 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 18 SPSUs for the last three years ending March 2023 are as follows.

Table 5.7: Details regarding budgetary support to SPSUs

(₹in crore)

SI.		202	20-21	2021-22		2022-23	
No.	Particulars	No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
		Powe	r Sector SPS	SUs			
1	Equity capital outgo from budget	1	1.95	0	0.00	0	0.00
2	Loans given frombudget	0	0.00	0	0.00	0	0.00
3	Grants/Subsidygiven from budget*	3	5,661.39	3	1,517.86	4	8,329.48
4	Total Outgo ⁵	4	5,663.34	3	1,517.86	4	8,329.48
5	Loans convertedinto 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	2	12,586.93	0	0.00	2	9,271.70
8	Guarantee Commitment ⁷	5	19,393.40	5	19,151.96	4	25,308.74
		Non-Po	wer Sector S	SPSUs			
1	Equity capital outgo from budget	1	0.02	1	0.50	1	0.10
2	Loans given frombudget	1	2,461.06	1	2,264.53	2	950.65
3	Grants/Subsidygiven from budget*	3	172.26	2	654.50	3	101.75
4	Total Outgo	4	2,633.34	3	2,919.53	5	1,052.50
5	Loans convertedinto equity	0	0.00	0	0.00	0	0
6	Loans, Interest/Penal interest written off	0	0.00	0	0.00	0	0
7	Guarantees Issued	0	0	0	0	1	1,000
8	Guarantee Commitment	1	482.80	1	307.24	2	1,131.68
			Total				
1	Equity capital outgo from budget	2	1.97	1	0.50	1	0.10
2	Loans given frombudget	1	2,461.06	1	2,264.53	2	950.65
3	Grants/ Subsidygiven from budget*	6	5,833.65	5	2,172.36	7	8,431.23
4	Total Outgo	8	8,296.68	6	4,437.39	8	9,381.98
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	2	12,586.93	0	0.00	3	10,271.70
8	Guarantee Commitment	6	19,876.20	6	19,459.20	6	26,440.42

^{*} Includes grants/subsidy towards operational and management expenses not ascertainable separately Source: Accounts/information furnished by SPSUs

During the year 2022-23, total outgo from the State Government was ₹9,381.98 crore (*Appendix 5.2*). The outgo in the form of subsidy/ grants to non-power sector SPSUs was lower in 2022-23 (₹101.75 crore) compared to 2021-22 (₹654.50 crore). During the year 2022-23, an amount of ₹1,923.89 crore and ₹6,404.00 crore was released to Southern

The figure of total outgo represents the SPSUs 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 SPSUs during a particular year

⁷ Closing balance of Government guarantee in respect of SPSUs at the end of a particular year

Power Distribution Company of Telangana Limited and Northern Power Distribution Corporation Limited towards Power/Tariff subsidy. Similarly, ₹100 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.

Out of ₹9,381.98 crore budgetary support provided by State Government during the year 2022-23, ₹1,051.09 crore was provided to two⁸ working SPSUs whose accounts were in arrears for three or more years. Details are given in *Appendix 5.2*.

5.6 Returns from the SPSUs

During the year 2022-23, out of the 18 SPSUs, 6 SPSUs earned profits, 11 SPSUs earned losses and one SPSU⁹ had reported nil profit or loss.

5.6.1 Profits earned by SPSUs

Out of 18 SPSUs, 6 SPSUs earned profit of ₹3,857.48 crore during 2022-23 as compared to 8 SPSUs which reported profit of ₹1,761.29 crore during 2021-22. All these 6 SPSUs reported profit due to operational income. One SPSU (Telangana Industrial Health Clinic Limited) reported turnaround from previous year. Further, three SPSUs¹⁰ suffered loss after earning profit in the previous year.

The Return on Equity (RoE) of the profit-making six SPSUs was 21.53 *per cent* in 2022-23 as compared to 12.30 *per cent* in 2021-22 for the eight profit making SPSUs. RoE for the SPSUs as a whole (including 11 loss making companies and one nil profit or loss company) could not be worked out as both the overall Net Profits and Net Worth as on 31 March 2023 were negative.

Net profit of ₹3,809.81 crore constituting 98.76 *per cent* of total profits (₹3,857.48 crore) earned by six SPSUs was contributed by three SPSUs in the power sector. During the year 2022-23, the power sector as a whole earned an overall profit of ₹3,809.81 crore.

Table 5.8: List of top profit-making SPSUs in 2022-23

(₹in crore)

Sl. No.	Name of SPSU	Net Profit after Tax					
Power Sector SPSUs							
1	2,596.40						
2	Telangana State Power Generation Corporation Limited	908.96					
3	Transmission Corporation of Telangana Limited	304.45					
	Non-Power Sector SPSUs						
4	Telangana State Mineral Development Corporation Limited.	38.31					
	Total	3,848.12					

Source: Accounts/information furnished by SPSUs

⁸ Telangana State Housing Corporation Limited and Telangana State Renewable Energy Development Corporation Limited

⁹ Telangana Power Finance Corporation Limited

⁽i) Telangana State Renewable Energy Development Corporation Limited (ii) T-works Foundation (iii)Nizam Sugars Limited

The above four SPSUs contributed 99.76 *per cent* of the total profit earned by the six SPSUs during 2022-23. Out of these, SPSUs at Sl. Nos (1) and (3) are operating under monopolistic conditions.

5.6.2 Dividend Payout

The State Government had not formulated any dividend policy under which SPSUs 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 six-profit making SPSUs, only one SPSU namely, the SCCL paid dividend of ₹86.66 crore and ₹129.99 crore during the financial years 2021-22 and 2022-23 respectively. The dividend declared as a percentage of Net Profit of this one SPSU decreased from 7.06 *per cent* in 2021-22 to 5.01 *per cent* in 2022-23. The dividend declared in 2022-23 was higher by ₹43.33 crore (50 *per cent*) as compared to the previous year.

The return in the form of dividend on total equity of 18 SPSUs was 0.63 *per cent* in 2022-23 as compared to 0.42 *per cent* during 2021-22.

5.7 Losses incurred by SPSUs

5.7.1 Losses incurred

Out of 18 SPSUs, 11 SPSUs incurred losses during the year 2022-23. The losses incurred by 7 SPSUs¹¹ drastically increased from ₹1,973.00 crore during 2021-22 to ₹11,925.37 crore in 2022-23. This is mainly due to increase in *losses* of TSDISCOMS from ₹830.83 crore in 2021-22 to ₹11,103.44 crore in 2022-23. Details of losses incurred by SPSUs during last three financial years are given in *Table 5.9*.

Table 5.9: Number of SPSUs that incurred losses

(₹in crore)

Year	Number of loss- making SPSUs	Net Loss for the Year	Accumulated Loss	Net Worth				
Power Sector SPSUs								
2020-21 2 (-)6,686.33 (-)48,982.22								
2021-22	2	(-)830.83	(-)49,815.88	(-)31,928.75				
2022-23	3	(-)11,107.50 (-)60,922.49		9 (-)43,033.70				
		Non-Power Sector	SPSUs					
2020-21	7	(-)802.61	(-)7,644.65	(-)7,633.78				
2021-22	6	(-)1,142.24	(-)6,589.31	(-)6,577.94				
2022-23	8	(-)862.16 (-)7,926.33		(-)7,891.72				
	Total							
2020-21	9	(-)7,488.94	(-)56,626.87	(-)38,728.87				
2021-22	8	(-)1,973.07	(-)56,405.19	(-)38,506.69				
2022-23	11	(-)11,969.66	(-)68,848.82	(-)50,925.42				

Source: Accounts/information furnished by SPSUs

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Common loss making 7 SPSUs of 2021-22 and 2022-23 are 1) Southern Power Distribution Company of Telangana Limited, 2) Northern Power Distribution Company of Telangana Limited, 3) Telangana State Housing Corporation Limited, 4) Damodara Mineral Private Limited., 5) Telangana Rajiv Swagruha Corporation Limited, 6) Telangana State Horticulture Development Corporation Limited. and 7) Telangana State Water Resource Development Corporation Limited.

Out of total losses of ₹11,969.66 crore of 11 SPSUs during 2022-23, the power sector's share was ₹11,107.50 crore and non-power sector's share was ₹862.16 crore.

The total accumulated losses of 10 SPSUs¹² in 2022-23 was ₹68,856.49 crore and after settingoff accumulated profit of 7 SPSUs (₹15,314.42 crore), the net accumulated losses were at ₹53,542.07 crore.

SPSUs listed in *Table 5.10* below incurred loss of more than ₹50.00 crore during the year 2022-23.

Table 5.10: List of SPSUs which incurred loss of more than ₹50 crore in 2022-23

(₹ in crore)

Sl. No.	Name of PSU	Net Loss	Net Worth					
Power Sector SPSUs								
1	Southern Power Distribution Company of Telangana Limited	(-)8,147.48	(-)30,311.57					
2	Northern Power Distribution Company of Telangana Limited	(-)2,955.96	(-)12,723.79					
Non-Power Sector SPSUs								
3	Telangana State Housing Corporation Limited	(-)795.13	(-) 6,744.56					
	Total	(-)11,898.57	(-)49,779.92					

Source: Accounts/information furnished by SPSUs

Out of total losses of ₹11,969.66 crore incurred by 11 SPSUs during 2022-23, losses of ₹11,898.57 crore constituting 99.41 *per cent* of total losses incurred was contributed byabove three SPSUs. During 2022-23, the loss incurred by Telangana Rajiv Swagruha Corporation Limited was ₹25.26 crore in comparison to previous year of ₹324.23 crore. The losses in two Discoms (TSSPDCL and TSNPDCL) were mainly due to Power Purchase Cost coupled with reduction in revenue due to non-revision of tariff. Similarly, the losses in Telangana State Housing Corporation were due to finance costs and establishments expenses with insignificant revenue from operations. It was observed that a total of ₹43064.96 crores were invested in Loss Making Companies by way of equity, loans, grants/subsidy and guarantees issued on loan in 2022-23 by the State Government. Out of these ₹39881.43 crores were invested in Power Companies while only ₹3183.53 crores were invested in Non-Power Companies.

5.7.2 Erosion of Capital in SPSUs

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 2023, the paid up capital and net accumulated losses of these 18 SPSUs was ₹20,536.93 crore and ₹53,542.07 crore respectively (*Appendix 5.3*), resulting in a negative net worth of ₹33,005.15 crore after adjustment of Deferred Revenue Expenditure of ₹0.01 crore. This indicates that investment made by the State Government in these

¹² Telangana State Horticulture Development Corporation Limited had accumulated profit though incurring loss since 2020-21

SPSUs had been completely wiped off. Out of 18 SPSUs, 10 SPSUs reported accumulated loss of ₹68,856.49 crore, 7 SPSUs reported accumulated profit of ₹15,314.42 crore and one SPSU had reported nil accumulated losses. Out of the total accumulated losses of 10 SPSUs of ₹68,856.49 crore the accumulated losses of three SPSUs¹³ (₹67,667.30 crore) accounted for 98.27 *per cent*.

Out of 18 SPSUs, net worth of nine SPSUs had been completely eroded due to accumulated losses leading to negative net worth. The net worth of these nine SPSUs has remained negative for a period ranging from one to nine years. The negative net worth of these nine SPSUs was ₹50,930.63 crore due to accumulated losses of ₹68,852.37 crore against their Paid-up Capital of ₹17,921.74 crore as on 31 March 2023 (*Appendix 5.4*). Investment of the State Government in these nine SPSUs as on 31 March 2023 was ₹26,348.38 crore comprising of equity of ₹17,921.33 crore and loans of ₹8,427.05 crore as detailed in **Table.5.11.**

Table 5.11: Details of SPSUs whose net worth has eroded as per their latest finalized accounts

(₹ in crore)

SI. No.	Sector & Name of the SPSU	Latest year of finalised accounts	Total Paid-Up Capital	Net Profit/ Loss after interest, tax and dividend	Accumu- lated Loss	Period since when Net worth has remained negative	Net Worth	State Govern- ment Equity as on 31 March 2023	State Govern- ment Loans as on 31 March 2023
				Power	Sector				
1	Northern Power Distribution Company of Telangana Limited	2022-23	5,869.20	(-)2,955.96	(-)18,592.99	2014-15	(-)12,723.79	5,869.20	357.35
2	Southern Power Distribution Company of Telangana Limited	2022-23	12,017.93	(-)8,147.48	(-)42,329.50	2014-15	(-)30,311.57	12,017.93	405.29
	Sub-Total		17,887.13	(-)11,103.44	(-)60,922.49		(-)43,035.36	17,887.13	762.64
				Non-Pov	ver Sector				
3	Damodhara Minerals Private Limited	2022-23	0.04	(-)0.01	(-)0.13	2014-15	(-)0.09	0.00	0.00
4	Telangana Rajiv Swagruha Corporation Limited	Not Received	0.05	(-)25.26	(-)890.67	2018-19	(-)890.62	0.05	0.00
5	Telangana State Housing Corporation Limited	2015-16	0.25	(-)795.13	(-)6,744.81	2015-16	(-)6,744.56	0.25	7,664.41

i) Southern Power Distribution Company of Telangana Limited, ii) Northern Power Distribution Company of Telangana Limited and iii) Telangana State Housing Corporation Limited

SI. No.	Sector & Name of the SPSU	Latest year of finalised accounts	Total Paid-Up Capital	Net Profit/ Loss after interest, tax and dividend	Accumu- lated Loss	Period since when Net worth has remained negative	Net Worth	State Govern- ment Equity as on 31 March 2023	State Govern- ment Loans as on 31 March 2023
6	Telangana Water Resource Development Corporation Limited	2022-23	1.00	(-)0.21	(-)1.28	2022-23	(-)0.28	1.00	0.00
7	The Nizam Sugars Limited	2022-23	33.17	(-)24.90	(-)276.98	2014-15	(-)243.81	32.80	0.00
8	Manjeera Lift Irrigation Corporation Limited	Since inception	0.10	(-)0.15	(-)0.15	2022-23	(-)0.05	0.10	0.00
9	T-Works Foundation	2022-23	0.00	(-)15.18	(-)15.86	2020-21	(-)15.86	0.00	0.00
	Sub Total		34.61	(-)860.84	(-)7,929.88		(-)7,895.27	34.20	7,664.41
	TOTAL		17,921.74	(-)11,964.28	(-)68,852.37		(-)50,930.63	17,921.33	8,427.05

Source: Accounts/information furnished by SPSUs

Out of 9 SPSUs having negative Net Worth, Nizam Sugars is the only SPSU in which revenue i.e. ₹1.69 crores exceeded the expenses i.e. ₹1.56 crores. In the remaining 8 SPSUs, receipts were lower than expenses. The details of Receipts/Revenue, Expenses and Establishment Expenses of SPSUs¹⁴ have been detailed in **Table 5.12**.

Table 5.12: Details of Receipts/Revenue and Expenses of SPSUs whose net worth has eroded as per their latest finalized accounts (2022-23)

(₹ in crore)

SI. No.	Sector & Name of the SPSU	Net Worth	Receipts/ Revenue	Expenses	Establishment Expenses
1	Northern Power Distribution Company of Telangana Limited	(-)12,723.79	15,880.03	18,835.99	2,053.82
2	Southern Power Distribution Company of Telangana Limited	(-)30,311.57	34,254.7	42,243	3,081.80
	Sub-Total	(-)43,035.36	50,134.73	61,078.99	5,135.62
3	Damodhara Minerals Private Limited	(-)0.09	0	0.006	-
4	Telangana Rajiv Swagruha Corporation Limited	(-)890.62	0.98	26.24	-
5	Telangana State Housing Corporation Limited	(-)6,744.56	15.21	793.35	49.75
6	Telangana Water Resource Development Corporation Limited	(-)0.28	0	0.21	-
7	The Nizam Sugars Limited	(-)243.81	1.69	1.56	0.61
8	Manjeera Lift Irrigation Corporation Limited	(-)0.05	0	0.15	-
9	T-Works Foundation	(-)15.86	1.93	17.12	-
	Sub Total	(-)7,895.27	19.81	838.64	50.36
	TOTAL	(-)50,930.63	50,154.54	61,917.626	5,185.98

Source: Accounts/information furnished by SPSUs

Funding of liabilities/establishment expenditure has been met from budgetary support of State Government as detailed in Appendix 5.2

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 SPSUs which paid interest from 2020-21 to 2022-23 on loans from all sources are given in the *Table 5.13*.

Table 5.13: ICR of SPSUs

(₹in crore)

Year	ЕВІТ	Interest	ICR	Number of SPSUs having interest Burden	Number of SPSUs havingICR more than 1	Number of SPSUs having ICR less than 1		
(1)	(2)	(3)	(4)	(5)	(6) Out of Column 5	(7) Out of Column 5		
	Power Sector SPSUs							
2020-21	1,537.87	7,386	0.21:1	6	4	2		
2021-22	10,623.88	8,330.72	1.28:1	6	4	2		
2022-23	3,167.79	9,017.82	0.35:1	6	3	3		
	Non-Power Sector SPSUs							
2020-21	26.94	771.47	0.03:1	5	1	4		
2021-22	(-)758.73	58.68	(-)12.93:1	2	0	2		
2022-23	(-)736.00	62.23	(-)11:83	4	0	4		
Total								
2020-21	1,564.81	8,157.47	0.19:1	11	5	6		
2021-22	9,865.15	8,389.40	1.18:1	8	4	4		
2022-23	2,431.79	9,080.05	0.27:1	10	3	7		

Source: Accounts/information furnished by SPSUs

We observed that the overall ICR of SPSUs ranged between 0.03 and 1.28 during 2020-21 to 2022-23. The ICR of non-power sector SPSUs was negative in two years during 2021-22 and 2022-23. The power sector SPSUs fared better. The ICR of power sector SPSUs decreased during the year 2022-23 in comparison to the previous year mainly due to decrease in EBIT of the DISCOMs. The overall ICR of power sector SPSUs remained below 'one' during 2020-21 and 2022-23. This indicates that the power sector SPSUs 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 four SPSUs having interest payment obligations on State Government loans, three SPSUs accounted for interest on State Government loans amounting to ₹750.09 crore during the year 2022-23. Two SPSUs paid an interest amount of ₹982.93 crore to the Government in 2022-23. As on 31 March 2023, interest amounting to ₹159.57 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 2023 is detailed in *Table 5.14*.

Table 5.14: Age-wise analysis of interest outstanding on State Government's Loans

(₹in crore)

Sl. No.	Name of the SPSU	Accounted for interest on state Govt Loans during 2022-23	Interest paid during 2022-23	Outstanding Interest on State Government Loans as on 31 March 2023	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 S	PSUs		
1	Transmission Corporation of Telangana Limited	14.03	246.93	0	0	0	0
2	Northern Power Distribution Company of Telangana Limited	0.06	0	0.34	0.06	0.12	0.16
			N	on-Power Sector	·SPSUs		
3	The Nizam Sugars Limited	0	0	159.23	0	0	159.23
4	Telangana State Housing Corporation Limited	736	736	0	0	0	
	Total	750.09	982.93	159.57	0.06	0.12	159.39

Source: Accounts/information furnished by SPSUs

It is evident from the above that 99.89 *per cent* of interest on State Government loans was outstanding for more than three years.

Accumulation of outstanding interest indicates that SPSUs 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 2023, 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 ₹26,099.00 crore in 2020-21 to ₹37,505.00 crore (43.70 per cent) in 2021-22. However, the outstanding power purchase dues reduced to ₹33,776.59 crore (9.94 per cent) in 2022-23 as compared to 2021-22.

Table 5.15: Statement showing dues of TSDISCOMs to Central, State and Other Power Generation Companies during last three years.

(₹ in crore)

		As on March	ı 21	As on March 22			As on March 23		
DISCOM Name	Amount dues	LPS/ Penalties	Total outstanding dues	Amount dues	LPS/ Penalties	Total outstanding dues	Amount dues	LPS /Penalties	Total outstanding dues
A. Dues fr	om TSDISC	COMs to Sta	te Generating	Company					
TSNPDCL	4,886	0	4,886	6,983	0	6,983	6,983.70	0	6,983.70
TSSPDCL	11,703	0	11,703	16,729	0	16,729	15,950.90	0	15,950.90
Sub total	16,589	0	16,589	23,712	0	23,712	22,934.6	0	22,934.60
B. Dues fr	om TSDISC	COMs to Cer	ntral Generatii	ng Companie	es				
TSNPDCL	904.71	65.29	970.00	711.66	0.34	712	866.26	1.70	867.97
TSSPDCL	2,223.90	97.10	2,321	1,709.24	0.76	1,710	2,327.82	4.08	2,331.90
Sub total	3,128.61	162.39	3,291	2,420.90	1.10	2,422	3,194.08	5.78	3,199.87
C. Dues fr	om TSDISC	COMs to oth	er generating o	companies					
TSNPDCL	1,525.38	39.62	1,565	2,498.29	20.71	2,519	474.17	144.15	618.32
TSSPDCL	4,561.06	92.94	4,654	8,802.38	49.62	8,852	7,018.59	5.21	7,023.80
Sub total	6,092.38	132.56	6,219	11,300.67	70.33	11,271	7,492.76	149.36	7,642.12
Total (A+B+C)	25,809.99	294.95	26,099	37,433.57	71.43	37,505	33,621.44	155.14	33,776.59

Source: Information furnished by TS DISCOMs

As evident from the above table, outstanding dues from TSDISCOMs to State, Central and other power generating companies increased by 43.70 *per cent as on 31 March 2022* and decreased by 9.94 *per cent* as on 31 March 2023 compared to previous year ended.

Power purchase cost constitutes 82.89 *per cent* of DISCOM's expenditure. DISCOMs together reported a net loss of ₹11,103.44 crore during 2022-23. Therefore, the dues of DISCOMs to various power generating companies would adversely impact the State Finances.

5.9 Operating Efficiency of SPSUs

5.9.1 Return on Investment

The SPSUs 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 a negative shareholders' fund means that liabilities exceed its assets.

The SPSU-wise details of RoE are given in *Appendix 5.5*. The consolidated figures of shareholders' fund and RoE of 18 SPSUs during the period from 2020-21 to 2022-23 are given below in *Table 5.16*.

Table 5.16: Share holders' fund and RoE of SPSUs

(₹in crore)

Year	Net Profit/ Loss	Share holders' Fund	RoE (in per cent)				
	Power Sector SPSUs						
2020-21	(-)5,970.01	(-)18,989.39	-				
2021-22	878.80	(-)17,672.44	-				
2022-23	(-)7,297.69	(-)25,520.20	-				
	Non-Power Sector SPSUs						
2020-21	(-)749.16	(-)7,622.41	-				
2021-22	(-)1,090.58	(-)6,517.41	-				
2022-23	(-)814.49	(-)7,484.99	-				
	Total						
2020-21	(-) 6,719.17	(-)26,611.80	-				
2021-22	(-)211.78	(-)24,189.85	-				
2022-23	(-)8,112.18	(-)33,005.15	-				

Source: Accounts/information furnished by SPSUs

As can be seen from the above table, the shareholders' fund was negative during all the three years from 2020-21 to 2022-23 for both power sector and non-power sector SPSUs. Hence, the RoE could not be worked out. Negative shareholders' fund indicates that the liabilities of the SPSUs have exceeded the assets and instead of the SPSUs paying returns to the shareholders, the shareholders owe money to the creditors of the working SPSUs. The negative RoE was contributed mainly by Northern Power Distribution Company of Telangana Limited, Southern Power Distribution Company of Telangana Limited and Telangana State Housing Corporation Limited as given in *Appendix 5.5*.

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 employed¹⁵. 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 SPSU wise RoCE is given in *Appendix 5.6*. The consolidated RoCE of 18 SPSUs during2020-21 to 2022-23 is given in *Table 5.17*.

¹⁵ Capital employed = Paid-up share capital + free reserves and surplus + long-term loans – accumulated losses – deferred revenue expenditure

Table 5.17: Return on Capital Employed of SPSUs

(₹in crore)

Year	EBIT	Capital Employed	RoCE (in <i>per cent</i>)				
(1)	(2)	(3)	(4) Col.2/ Col 3 X 100				
		Power Sector SPSUs					
2020-21	1,537.87	46,229.79	3.33				
2021-22	10,623.88	48,803.54	21.77				
2022-23	3,167.79	44,770.35	7.08				
	Non-Power Sector SPSUs						
2020-21	39.69	4,564.51	0.87				
2021-22	(-)1,012.63	8,781.96	(-)11.53				
2022-23	(-)736.00	259.65	(-)283.46				
	Total						
2020-21	1,577.56	50,794.30	3.11				
2021-22	9,611.25	57,585.40	16.69				
2022-23	2,431.79	45,030.00	5.40				

Source: Accounts/information furnished by SPSUs

The RoCE of the 18 SPSUs was increased from 3.11 per cent in 2020-21 to 16.69 per cent in 2021-22 whereas the RoCE decreased to 5.40 per cent during the year 2022-23. The decrease in RoCE of the 18 SPSUs during 2022-23 by three times as compared to 2021-22 was on account of decrease in the EBIT of Power Sector SPSUs.

Further, the RoCE of 7 out of 18 SPSUs (three power sector SPSUs and four non-power sector SPSUs¹⁶) which generate their own revenue and run-on commercial lines was positive in all the three years (12.24 *per cent* for 2020-21, 14.41 *per cent* for 2021-22 and 17.70 *per cent* for 2022-23). The RoCE of the one power sector¹⁷ and two non-power sector SPSUs¹⁸ was negative ranging from (-) 84.97 *per cent* to (-) 240.36 *per cent* during the 2022-23, 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.

⁽i) Singareni Collieries Company Limited (ii) Telangana State Power Generation Corporation Limited (iii) Transmission Corporation of Telangana Limited (iv) Telangana Industrial Health Clinic Limited (v) Telangana State Technology Services Limited, (vi) Telangana State Horticulture Development Corporation Limited (vii) Telangana State Mineral Development Corporation Limited

¹⁷ Telangana State Renewable Energy Development Corporation Limited

¹⁸ Telangana State Housing Corporation Limited and T-Works Foundation

(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 SPSUs. RoRR from the SPSUs 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 perthe terms and conditions of repayment.

Further, apportionment of assets and liabilities between the successor demerged SPSUs 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 SPSUs of Telangana State.

As on 31 March 2023, the investment in 18 working SPSUs of State Government was ₹68,981.41 crore, the investment of Central Government amounted to ₹1,725.63 crore, while the investment of Others was ₹518.33 crore.

The details of investment of State Government, Central Government and Others on historical basis is given in *Appendix 5.7*. It is evident that due to losses during the last nine 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 SPSUs, 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 SPSUs 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 2023, the past investments/ year-wise funds infused in the SPSUs 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 SPSUs was computed on the basis of following assumptions:

- The equity (initial equity net of Reorganization/ Demerger Adjustment Reserve) of State Government in the SPSUs 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 2023 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 18 working SPSUs at the end of the year 2022-23 was ₹96,883.99 crore consisting of equity of ₹26,079.40 crore, interest free loan of ₹20.56 crore and subsidies/ grants of ₹45,125.41 crore. The PV of investments of the State, Central Governments and Others up to 31 March 2023 worked out to ₹1,03,249.27 crore. The Rate of Real Return on the PV of investment was negative in all the years due to SPSUs incurring losses during all the nine Financial Years from 2014-15 to 2022-23 as detailed in *Appendix 5.8*.

5.10 Sales and Marketing

5.10.1 Sales and Marketing

During the year 2022-23, the total turnover of 18 SPSUs stood at ₹95,204.74 crore as compared to ₹79,743.52 crore during 2021-22. Out of these 18 SPSUs, seven SPSUs¹⁹ rendered goods/ services worth ₹48,667.41 crore (51.31 *per cent*) to the Government Sector out of their total sales of ₹94.840.72 crore.

None of the SPSUs exported goods/ services during 2022-23.

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 inimproved 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 2022-23, of the 18 SPSUs, only one SPSU (SCCL) undertook R&D related activities. The Company spent ₹5.93 crore on R&D as against ₹4.30 crore during 2021-22.

As can be seen, the SPSUs are found wanting in the field of R&D expenditure. In view of the benefits, the State Government should encourage SPSUs to undertake R&D activities through budgetary support.

⁽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 and (vii) Telangana State Technology Services Limited

5.11 Appointment of Statutory Auditors of SPSUs 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 SPSUs

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, with in 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 SPSUs

As of 31 March 2023, there were 83 SPSUs under the purview of CAG's audit. Out of 83 SPSUs, 16 SPSUs are inactive. Out of the remaining 67 working SPSUs only 12 Companies submitted their accounts for the financial year 2022-23 by 30 September 2023. Accounts of 52 working Government Companies and three Statutory Corporations were in arrears ranging from one to eight years. Details of arrears in submission of accounts of SPSUs are given in *Table 5.18* below:

Table 5.18: Delay in submission of accounts by SPSUs

	Particulars	Government Companies	Statutory Corporations	Total
Total number of S	PSUs as on 31 March 2023	80	3	83
Number of SPSUs CAG's audit by 3	s which presented the accounts for 0 September 2023	12	0	12
Number of Comp	anies whose accounts are in arrears	68	3	71
Break-up of	(i) Under Liquidation	8	0	8
Arrears	(ii) Defunct	8	0	8
	(iii) Others	52	3	55
Age-wise	One year (2022-23)	14	0	14
analysis of arrears against 'Others' category	Two years (2020-21 and 2021-22)	7	0	7
	Three years and more	31	3	34

Source: Accounts/information furnished by SPSUs

Out of the 68 Government Companies, accounts of 31 working Companies were due for three or more years. Out of these 31 working Companies, 11 Companies had not submitted their first accounts as on 30 September 2023 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 Telangana State Road Transport Corporation) 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 up to the year 2017-18. 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.

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 SPSUs 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 2022 to 30 September 2023, 39 Government Companies submitted 45 accounts for the period spanning from 2016-17 to 2022-23 for audit by CAG. Of these, the CAG reviewed 15 accounts of 14 SPSUs. Non-Review Certificates issued in respect of 10 accounts of 10 SPSUs. Finalization of CAG's comments were pending in respect of 20 accounts as on 30 September 2023.

Further, review of 32 accounts of 26 SPSUs which were submitted prior to 30 September 2022, was finalized during the period 01 October 2022 to 30 September 2023. Non-review certificates were issued in respect of two accounts submitted prior to 30 September 2022.

5.14.2 Amendment of Financial Statements

Telangana Industrial Health Clinic Limited (2021-22) and Musi River Front Development Corporation Limited (2021-22) amended the Financial Statements before laying the same in the AGM.

5.14.3 Revision of Auditors Report

As a result of supplementary audit of Financial Statements conducted by the CAG, the Statutory Auditors of 20 Government Companies revised 20 reports (May 2022 to August 2023) as detailed in *Appendix 5.9*.

5.14.4 Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on Government Companies/ Government Controlled Other Companies

Of the 47 accounts reviewed and finalized during the period from 1 October 2022 to 30 September 2023, CAG's comments were issued in respect of 35 accounts. The list of State SPSUs in respect of whom comments were issued is given in *Appendix 5.10*. 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 ₹757.21. crore and on assets/ liabilities was ₹31989.68 crore are detailed below:

A) Comments on Profitability

Sl. No.	Name of the Company (Year of Accounts)	Comments				
	Power Sector SPSUs					
1	Southern Power Distribution Company of Telangana Limited (2022-23)	The power purchase cost of the Company was overstated by ₹76.59 crore, on account of provision for payment of actual metered energy supplied to Singareni Thermal Power Plant (STPP) during 2018-19 to 2022-23, instead of energy charges as per scheduling by SLDC. As the claim for this amount by STPP				

Sl. No.	Name of the Company (Year of Accounts)	Comments
		was disallowed by Telangana State Electricity Regulatory Commission, providing for the same in the books of the DISCOM resulted in overstatement of power purchase expenses, current liabilities and consequent loss for the year by ₹76.59 crore.
2	Northern Power Distribution Company of Telangana Limited (2022-23)	The Company had not accounted for ₹20.04 crore being the cost of unutilized banked energy units payable to M/s Singareni Collieries Company Limited (SCCL). This resulted in understatement of power purchase cost, Trade Payables and consequent loss for the year by ₹20.04 crore.
		Non-Power Sector SPSUs
3	Hyderabad Metro Rail Limited (2016-17)	The Company incurred an expenditure of ₹115.22 crore towards shifting utilities, work contracts towards clearing the areas required, relief and rehabilitation expenses, structural compensation paid for acquiring properties for road widening etc. from the funds provided by the Government and receipt of funds is accounted as loans in the financial statements. The Company has neither adjusted the expenditure against the funds provided by the Government nor recognized it as receivable from the Government. This has resulted in overstatement of administrative expenses and understatement of "Receivable from the Government" by ₹115.22 crore and consequently overstatement of loss for the year by the same amount.
4	Telangana Drinking Water Supply Corporation Limited (2019-20)	1. The O&M expenditure of the Company was understated by ₹61.69 crore being expenditure incurred for the year 2019-20 for which payments were pending at the end of year. Not providing for the same in the books of accounts for 2019-20 resulted in understatement of Expenditure, Current Liabilities and consequently Loss for the year by ₹61.69 crore. 2. The O&M Expenditure of the Company was understated by ₹19.50 crore being the amount payable to Northern Power distribution Company of Telangana Limited for manning and maintenance of water grid sub- stations, for the period up to 31.03.2020. Non-provision for the same resulted in understatement of Expenditure, Current Liabilities and consequently, Loss for the year by ₹19.50 crore. 3. The Company did not recognize an amount of ₹458.50 crore payable to the Telangana State Southern Power Distribution Company Limited (TSSPDCL) towards Current Consumption charges for the period up to 31.03.2020. Non-accountal of the same has resulted in understatement of Current Liabilities, Electricity Consumption charges and Loss for the year by ₹458.50 crore.

Sl. No.	Name of the Company (Year of Accounts)	Comments
5	Telangana State Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Company accounted ₹5.67 crore being the interest income earned on the project-specific earmarked funds i.e temporary deposits made with banks from the loans availed from HUDCO (₹725 crore) and NABARD (₹29.44 crore) for establishment of NIMZ at Hyderabad Pharma City and Mega Food Park project at Buggapadu, Khammam respectively. Treating the interest earned on earmarked funds as income of the company has resulted in overstatement of interest income and understatement of Other current liabilities and understatement of loss by ₹5.67 crore.

B) Comments on Financial Position

Sl. No.	Name of the Company (Year of Accounts)	Comments				
	Non-Power Sector SPSUs					
1	Telangana Civil Supplies Corporation Limited (2016-17)	Reserves and Surplus did not include Demerger Adjustment Account balance of ₹180.44 crore arising due to surplus of Assets over Liabilities, as per the recommendations of the Expert Committee appointed for approval of Demerger proposals of Government Companies/Corporations/Entities in the Schedule IX of AP Reorganization Act, 2014. Accounting for the same as 'Current Liabilities' instead of showing the same separately under 'Reserves and Surplus', resulted in understatement of Reserves and Surplus and overstatement of Current Liabilities by ₹180.44 crore each.				
2	Telangana State Police Housing Corporation Limited (2020-21)	The Company had not made a provision of ₹4.56 crore towards Earned Leave encashment payable to regular employees on retirement/ death, as required under Accounting Standard -15. This resulted in understatement of Expenses, Other Current Liabilities and consequent loss for the year by ₹4.56 crore.				
3	Hyderabad Growth Corridor Limited (2020-21)	The Company did not include the capital expenditure of ₹7,459.10 crore incurred by the Company for implementation of Hyderabad Growth Corridor Project (HGCP) from the funds provided by Hyderabad Metropolitan Development Authority (HMDA). As per the Memorandum of Understanding (MoU) dated 30th October 2006, the assets created after completion of the project belongs to the HMDA. The Company instead of transferring the completed assets to the HMDA netted off the total capital expenditure of ₹7,459.10 crore against the advances of ₹7,263.75 crore received from HMDA and State Government and balance amount of excess expenditure of ₹195.34 crore incurred by the HGCL was shown as other				

Sl. No.	Name of the Company (Year of Accounts)	Comments		
		current assets. This has resulted in understatement of Capital work in progress by ₹7,459.10 crore and understatement of liabilities (advances received) by ₹7,263.75 crore and overstatement of other current assets by ₹195.34 crore.		
4	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	Scheme Funds (Amrut Scheme) shown under Current Liabilities were overstated by ₹444.72 crore being the amount of grants released to the scheme beneficiaries (ULBs), due to accounting for such releases as Current Assets, instead of debiting to the scheme fund head. This resulted in Overstatement of 'Other Current Liabilities- Scheme Funds from Government' and Other Current Assets- Loans and Advances' by ₹444.72 crore.		
5	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	The Company accounted for ₹200.68 crore being the balance in Personal Deposit (PD) account of the Company as on 31 March 2019, under 'Cash and Cash Equivalents - Balances with banks'. As the balances of PD account cannot be used by the Company unless authorized by the Finance Department of Government of Telangana, the same should not have been accounted for under 'Balances with banks' but should have been separately exhibited under the head 'Others' under 'Cash and Cash Equivalents'. This resulted in overstatement of 'Balances with banks' and understatement of 'Others' (specifying the nature as PD Account) under 'Cash and cash equivalents' by ₹200.68 crore.		
6	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	The Company did not account for ₹21.00 crore being the value of fixed deposits (with one-year maturity) made with banks, from scheme funds during 2018-19 and ₹0.97 crore being the accrued interest on the above FDs as on 31 March 2019. The fixed deposits and the accrued interest were also not accounted for under 'Current Investments' and 'Other Current Assets' respectively, under Current Assets in Balance Sheet. This resulted in understatement of Current Assets and Current Liabilities by ₹21.97 crore.		
7	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company had not accounted the liability of ₹263.97 crore being the amount payable for the works executed and bills submitted by the vendors during 2020-21. Non-provision for the liability has resulted in understatement of Other Current Liabilities and understatement of Capital Work-In-Progress under Non-Current Assets by ₹263.97 crore		
8	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company did not capitalise ₹22564.39 crore incurred towards capital works which were completed before 31 March 2021 and were available for use. This resulted in overstatement of Capital Work-In-Progress (CWIP) and understatement of Property, Plant & Equipment (PPE) by ₹22,564.39 crore.		

Sl. No.	Name of the Company (Year of Accounts)	Comments		
9	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company did not recover an amount of ₹18.27 crore being the excess GST paid which was recoverable from the contractor's bills. This resulted in overstatement of Capital WIP by ₹18.27 crore and understatement of 'Current Assets -amount recoverable from contractors' by ₹18.27 crore.		
10	Telangana State Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Company accounted an amount ₹636.48 crore as receivable from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) being the excess of liabilities over assets consequent to demerger of the Company on account of bifurcation of the erstwhile State of Andhra Pradesh in June 2014. Since, the Assets and Liabilities were apportioned between the resultant entities in different ratios (assets on location and liabilities on the ratio of population basis), they do not match, and the balance needs to be shown as Demerger (Reorganization) Adjustment account under the Reserves and Surplus as per the decision of the Expert Committee. This resulted in overstatement of Other Loans and Advances and overstatement of Demerger (Reorganization) Adjustment Account under Other equity by ₹636.48 crore.		
11	Telangana State Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Cash Flow from operating activities of the Company includes ₹46.08 crore being interest income earned by Company, was not shown as Income from Investing Activities as required by Ind AS 7 (Cash Flow Statement) for non-financial institutions. This has resulted in overstatement of Income from Operating activities and understatement of Income from investing activities by ₹46.08 crore in the Cash Flow Statement.		
12	TS Fiber Grid Corporation Limited (2020-21)	The Company had not made a provision for the liability of ₹113.63 crore being the payables for the value of works contract / supply of material in respect of 23 invoices which were received on or before 31 March, 2021. This resulted in understatement of Current Liabilities and Capital Work-In-Progress by ₹113.63 crore.		
13	Fab City (SPV) India Private Limited (2018-19)	Capital WIP was overstated by ₹35.39 crore being the capital expenditure towards 220 KV Sub-Station and Water supply scheme works which were completed in December 2014 and December 2016 respectively and put to use. This resulted in overstatement of CWIP by ₹35.39 crore, understatement of Property, Plant and Equipment by ₹30.63 crore, Other Equity by ₹2.87 crore, depreciation for the year 2018-19 by ₹1.89 crore and consequently understatement of loss for the year by ₹1.89 crore.		

C) Comments on Disclosure

Sl. No.	Name of the Company (Year of Accounts)	Comments
		Power Sector SPSUs
1	Transmission Corporation of Telangana Limited (2021-22)	As per Actual valuation in respect of employees on the rolls as on 31.01.1999 and who retired subsequently as on 31.03.2022, the net defined obligation of ₹5,110.60 crore was determined. As against this, the Company had provided liability to the extent of 26 <i>per cent</i> only. The reason for non-provision of 74% of total liability amounting to ₹3,611.74 crore (₹3,781.85 crore minus ₹170.21 crore) (proportionate share of Master Trust assets) were not disclosed in the Notes to Financial statements.
2	Southern Power Distribution Company of Telangana Limited (2022-23)	Telangana State Electricity Regulatory Commission (TSERC) approved (24.03.2023) ₹9,360.35 crore towards the power purchase True-ups for the period FY 2016-17 to 2021-22 and provisional true -up for 2022-23. Further, an amount of ₹312.65 crore towards true-up of expenses and revenue for distribution business for the 1 st , 2 nd and 3 rd control periods was also approved. However, the Government of Telangana (GoT) gave an assurance (16.03.2023) to TSERC that it was committed to extend the necessary financial support to the State Power Utilities towards true-up of wheeling charges and power purchase true-ups for distribution business and retail supply business respectively over a period of 5 year. The facts pertaining to the communication regarding the form and amount of assistance pending form the GoT were not disclosed in the Notes to accounts to Financial Statements.
3	Telangana State Generation Power Company Limited (2021-22)	The Company was allotted Tadicherla -I Coal Block for captive mining purposes by the Ministry of Coal and was also responsible to implement the mine closure plan. Accordingly, the Company estimated the post and progressive mine closure cost for 25 years at ₹282.57 crore. As per the significant Accounting Policies of the Company, the decommissioning costs are provided at the present value of expected costs to settle the obligation using the estimated cash flows and recognized as a part of the cost of the particular asset. However, the Company has neither created specific provision at present value towards mine closure obligation nor disclosed the fact to Notes to Financial Statements.

Sl. No.	Name of the Company (Year of Accounts)	Comments
		Non-Power Sector SPSUs
4	Telangana State Industrial Infrastructure Corporation Limited (2017-18 SFS&CFS)	The Company contested and filed a writ petition in the High court against the Income tax department demand of ₹1,173.13 crore for the year 2017-18 (AY 2018-19). The Company had not disclosed the fact under Contingent liabilities in the Notes to Financial Statements.
5	Telangana State Civil Supplies Corporation Limited (2016-17)	Government of Telangana vide GO Ms.No.18 dated 23.08.2018 enhanced the margins payable to the Fair Price Shop Dealers from ₹20 to ₹70 per quintal for distribution of Rice to the National Food Security Cards from 1st October 2015 to 31st August 2018. Accordingly, amount payable to the dealers towards enhanced margins in respect of Khammam District for the financial year 2016-17 works out to ₹7.27 crore. However, the Company neither accounted for the liability nor disclosed the above facts in the Notes to Financial Statements.
6	Zaheerabad NIMZ Limited (2018-19)	Telangana State Industrial Infrastructure Corporation Limited (TSIICL), the holding company of Zaheerabad NIMZ Limited has acquired land to an extent of 2924.38 Acres for Zaheerbad NIMZ Limited as on 31 March 2019 and deposited ₹167.10 crore with District Collector, Sangareddy towards payment of land value to the landowner. However, the Company did not disclose this fact in the Notes to the Financial Statements.

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 Eight Companies (11 accounts) as detailed in *Appendix 5.11* did not comply with mandatory Accounting Standards/ Ind AS.

During the supplementary audit carried out between October 2022 and September 2023, it was observed that two Companies (three accounts) 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 SPSUs			
1	Accounting Standard 26: Intangible Assets	Southern Power Distribution Company of Telangana Limited (2022-23)	The Company had not disclosed the useful lives or amortization rates for the intangible assets as required under AS 26		
	Non-Power Sector SPSUs				
2	Accounting Standard 15 – Employee Benefits	Telangana State Police Housing Corporation Limited (2019-20)	The Company had not made the provision for the liability (31.03.2020) related to Earned Leave encashment on retirement/ death amounting to ₹5.38 crore to the regular employees as required under Accounting Standard -15.		
3	Accounting Standard 15 – Employee Benefits	Telangana State Police Housing Corporation Limited (2020-21)	The Company had not made the provision for the liability (31.03.2021) related to Earned Leave encashment on retirement/ death amounting to ₹4.56 crore to the regular employees as required under Accounting Standard -15.		

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 SPSUs 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 statements or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies are generally related to (a) observations of non-material in nature (b) application and interpretation of accounting policies, (c) adjustments arising out of audit; and (d) Inadequate disclosure or non-disclosure of certain information on which management of the concerned SPSU gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 31 Management Letters to 24 SPSUs as detailed in *Appendix 5.12*.

5.17 Conclusion

As on 31 March 2023, 83 State Public Sector Undertakings in Telangana were under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). Of the 83 SPSUs, eight SPSUs relate to power sector and 75 SPSUs relate to non-power sector SPSUs. Out of these SPSUs, 16 companies were inactive and were either defunct or under liquidation.

As per their latest accounts and/ or information furnished by 18 out of the 67 working SPSUs for 2022-23, the 18 SPSUs registered an annual turnover of ₹95,204.74 crore, which was equal to 7.25 *per cent* of the GSDP of Telangana State during 2022-23. As on 31 March 2023, the investment of the Central and State Governments and Others in equity and long-term loans in these 18 SPSUs was ₹98,572.08 crore. During the year 2022-23, the State Government provided budgetary support of ₹9,381.98 crore to 8 SPSUs. Out of the 18 working SPSUs, 6 SPSUs earned profits (₹3,857.48 crore), 11 SPSUs incurred losses (₹11,969.66 crore) and one SPSE had reported nil profit or loss.

As on 31 March 2023, the accumulated losses of 18 SPSUs were at ₹53,542.07 crore. As a result of losses, the combined net worth of 18 SPSUs was completely eroded and stood at ₹(-)33,005.15 crore as on 31 March 2023.

As on 31 March 2023, the investment in 18 working SPSUs in the form of equity, interest free loans, subsidies and grants of Central and State Governments and Others was ₹96,883.99 crore. The PV of this investment worked out to ₹1,03,249.27 crore.

Out of 67 working SPSUs, Financial Statements for the year 2022-23 were received only from 12 SPSUs in time. Fifty-five SPSUs have defaulted in timely submission of accounts. Of these, accounts of 34 SPSUs were due for more than three years and include 13 SPSUs which have not submitted their first accounts since their incorporation.

As a result of CAG audit, Statutory Auditors of Twenty SPSUs revised their Audit Report. In addition, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by and assets/ liabilities were also issued.

Irregularities and deficiencies in the financial statements observed during supplementary audit which are not material, were communicated to the Management of 24 SPSUs through 'Management Letter' for taking corrective action.

5.18 Recommendations

- (i) Government of Telangana may review the functioning of all loss-making SPSUs 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 SPSUs 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.

(P. MADHAVI)

Hyderabad The 03 May 2024 Accountant General (Audit), Telangana

Countersigned

New Delhi The 06 May 2024 (GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India



Appendix 1.1

Profile of Telangana

(Refer paragraph 1.1; page 1)

	A. General Data									
Sl. No.		Particulars		Figures						
1	Are	ea (source: www.telangana.gov.in)		1,12,077 Sq.km						
2	Pop	pulation								
	a.	2011		3.51 crore						
	b.	2023		3.81 crore						
3	a.	Density of Population (as per 2011 Censu	,	312 persons						
		(All India Density = 382 persons per Sq. l		per Sq.km						
	b.	Density of Population (as per 2023 Censu		340 persons						
		(All India Density = 422 persons per Sq.k	cm.)	per Sq.km.						
4		oulation Below Poverty Line (BPL) 2023		Not available						
		l India Average=21.92 <i>per cent</i>)								
5		eracy (2023) (All India Average=73.0 per c	cent)	72.80 per cent						
6		ant mortality (per 1000 live births)		21						
		1 India Average = 28 per 1,000 live births)								
7		e Expectancy at birth (All India Average =	• •	70.00						
8		oss State Domestic Product (GSDP) 2022-2		₹13,13,391 crore						
9		oss State Domestic Product (GSDP) 2022-2		₹7,26,707 crore						
10		capita GSDP Compounded Annual	Telangana	12.06						
	Gro	owth Rate (CAGR) (2013-14 to 2022-23)	General States	9.38						
11		GSDP CAGR (2013-14 to 2022-23)	Telangana	12.59						
		GSD1 CAGR (2013-14 to 2022-23)	General States	10.57						
12		Population Growth (2014 to 2023)	Telangana	7.03						
		1 opulation Growth (2014 to 2023)	General States	11.57						

	B. Financial Data								
	Particulars Particulars								
	Commounded Annual Cuenth Date	General States (2020-21 to	Telangana (2020-21 to 2021-22)	General States	Telangana (2021-22 to				
	Compounded Annual Growth Rate	2020-21 to	2021-22)	(2021-22 to 2022-23)	2022-23)				
		2021 22)	(in per		2022 20)				
a.	Revenue Receipts	25.59	26.31	13.41	25.01				
b.	State's Own Tax Revenue	25.62	36.94	19.78	17.18				
c.	Non -Tax Revenue	44.81	45.17	12.94	120.77				
d.	State's share of union taxes and duties	48.60	47.50	7.25	5.06				
e.	Grants-in-Aid from Government of India	(-)5.37	(-)44.29	5.49	52.91				
f.	Total Receipts	15.57	13.33	10.83	16.34				
g.	Revenue Expenditure	12.29	11.03	11.45	12.14				
h.	Capital Expenditure	25.62	81.35	18.93	(-)38.07				
i.	Disbursements of Loans and Advances	1.22	(-)22.07	75.33	150.89				
j.	Total Expenditure	14.00	16.09	12.53	10.55				
k.	Revenue Expenditure on Education	11.47	17.56	13.21	19.41				
1.	Revenue Expenditure on Health	19.71	11.75	0.88	15.99				
m.	Revenue Expenditure on Salary and Wages	11.82	22.72	8.52	16.11				
n.	Revenue Expenditure on Pension	11.88	3.13	11.38	12.77				
0.	Revenue Expenditure on Subsidies	18.29	6.82	15.24	(-)5.72				

Appendix 1.2 Time Series Data on State Government Finances (Refer paragraph 1.5; page 10)

						(K III crore)
		2018-19	2019-20	2020-21	2021-22	2022-23
Part	A Receipts					
1	Revenue Receipts	1,01,420(99.93)	1,02,544(99.94)	1,00,914(99.94)	1,27,469(99.96)	1,59,350(99.94)
	(i) State's Own Tax Revenue	64,674(63.77)	67,597(65.92)	66,650(66.05)	91,271(71.60)	1,06,949(66.05)
	State Goods and Services Tax	23,840(36.86)	23,517(34.79)	22,190(33.29)	28,917(31.68)	36,248(33.29)
	Taxes on Sales, Trade, etc.	20,291(31.37)	20,674(30.58)	20,904(31.36)	26,974(29.55)	29,604(31.36)
	State Excise	10,638(16.45)	11,992(17.74)	14,370(21.56)	17,482(19.15)	18,471(21.56)
	Taxes on Vehicles	3,762(5.82)	3,935(5.82)	3,338(5.01)	4,381(4.80)	6,737(5.01)
	Stamps and Registration fees	5,344(8.26)	6,671(9.87)	5,243(7.87)	12,373(13.56)	14,228(7.87)
	Land Revenue	0.42(0)	1(0)	1(0)	0.26(0)	0.27(0)
	Other Taxes	799(1.24)	807(1.19)	604(0.91)	1,143.73(1.25)	1,661(0.91)
	(ii) Non-Tax Revenue	10,007(9.87)	7,360(7.18)	6,101(6.05)	8,858(6.95)	19,554(6.05)
	(iii) State's share in Union taxes and duties	18,561(18.30)	15,988(15.59)	12,692(12.58)	18,721(14.69)	19,668(12.58)
	(iv) Grants-in-Aid from GOI	8,178(8.06)	11,599(11.31)	15,471(15.33)	8,619(6.76)	13,179(15.33)
2	Miscellaneous Capital Receipts	0(0)	0(0)	0(0)	0(0)	0(0)
3	Recovery of Loans and Advances	66(0.07)	62(0.06)	58(0.06)	48(0.04)	629(0.06)
4	Total revenue and Non-debt capital receipts (1+2+3)	1,01,486(66.57)	1,02,606(57.60)	1,00,972(46.41)	1,27,517(51.72)	1,59,979(46.41)
5	Public Debt Receipts	50,962(33.43)	75,533(42.40)	1,16,586(53.59)	1,19,052(48.28)	1,26,884(53.59)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	28,705(56.33)	38,078(50.41)	44,467(38.14)	46,995(39.47)	41,560(38.14)
	Net transactions under Ways and Means Advances and Overdraft	21,823(42.82)	37,248(49.32)	69,454(59.57)	67,274(56.51)	82,823(59.57)
	Loans and Advances from Government of India	434(0.85)	207(0.27)	2,665(2.29)	4,783(4.02)	2,501(2.29)
6	Total Receipts in the Consolidated Fund (4+5)	1,52,448(57.19)	1,78,139(68.24)	2,17,558(75.15)	2,46,569(75.33)	2,86,863(75.15)
7	Contingency Fund receipts	0.09(0)	2.10(0.01)	4.21(0)	0(0)	0.05(0)
8	Public Account receipts	1,14,152(42.81)	82,860(31.75)	71,937(24.85)	80,760(24.67)	89,656(24.85)
9	Total Receipts of Government (6+7+8)	2,66,600	2,61,001	2,89,499	3,27,329	3,76,519

		2018-19	2019-20	2020-21	2021-22	2022-23
Part	B Expenditure/Disburs	ement				
10	Revenue Expenditure	97,083(75.59)	1,08,798(80.97)	1,23,212(82.14)	1,36,804(78.55)	1,53,406(82.14)
	General Services (including interest payments)	34,199(35.23)	36,441(33.49)	39,477(32.04)	44,433(32.48)	50,024(32.04)
	Social Services	39,721(40.91)	45,833(42.13)	48,400(39.28)	53,181(38.87)	57,564(39.28)
	Economic Services	23,158(23.85)	26,524(24.38)	35,335(28.68)	39,190(28.65)	45,818(28.68)
	Grant-in-Aid and contributions	5(0.01)	0(0)	0(0)	0(0)	0(0)
11	Capital Expenditure	22,641(17.63)	16,859 (12.55)	15,922(10.61)	28,874(16.58)	17,881(10.61)
	General Services	703(3.11)	645(3.83)	779(4.89)	961(3.33)	1,208(4.89)
	Social Services	5,620(24.82)	1,765(10.47)	2,147(13.48)	6,345(21.97)	2,726(13.489)
	Economic Services	16,318(72.07)	14,449(85.70)	12,996(81.62)	21,568(74.70)	13,947(81.62)
12	Disbursement of Loans and Advances	8,706(6.78)	8,700(6.47)	10,868(7.24)	8,469(4.86)	21,248(7.24)
13	Inter-State Settlement	5(0)	8(0.01)	8(0.01)	8(0.005)	0(0)
14	Total (10+11+12+13)	1,28,435(81.73)	1,34,365(74.60)	1,50,010(66.08)	1,74,155(69.59)	1,92,535(66.08)
15	Repayment of Public Debt	28,716(18.27)	45,740(25.40)	76,991(33.92)	76,117(30.41)	94,810(33.92)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	6,059(21.10)	8,053(17.61)	7,047(9.15)	8,333(10.95)	11,471(9.15)
	Net transactions under Ways and Means Advances and Overdraft	21,823(76)	37,248(81.43)	69,454(90.21)	67,274(88.38)	82,823(90.21)
	Loans and Advances from Government of India	834(2.90)	439(0.96)	490(0.64)	510(0.67)	516(0.64)
16	Appropriation to Contingency Fund	0(0)	0(0)	0(0)	0.05	0(0)
17	Total disbursement out of Consolidated Fund (14+15+16)	1,57,151(58.99)	1,80,105(70.32)	2,27,001(77.63)	2,50,272(76.20)	2,87,345(77.63)
18	Contingency Fund Disbursements	2.10(0.01)	4.22(0)	0(0)	0	0
19	Public account disbursement	1,09,222(41)	76,014(29.68)	65,402(22.37)	78,155(23.80)	86,350(22.37)
20	Total disbursement by the state (17+18+19)	2,66,375	2,56,123	2,92,403	3,28,427	3,73,695
Part	C Deficits					
21	Revenue Deficit (-) /Surplus (+) (1-10)	4,337	(-)6,254	(-)22,298	(-)9,335	5,944
22	Fiscal Deficit (-) /Surplus (+) (4-14)	(-)26,949	(-)31,759	(-)49,038	(-)46,638	(-)32,556
23	Primary Deficit (-) /Surplus (+) (22-24)	(-)14,363	(-)17,373	(-)32,197	(-)27,477	(-)10,735
Part	t D Other Data					
24	Interest Payments (included in Revenue Expenditure)	12,586	14,386	16,841	19,161	21,821
25	Financial Assistance to local bodies etc.	37,908	44,967	54,284	61,400	69,317

		2018-19	2019-20	2020-21	2021-22	2022-23
26	Ways and Means Advances / Overdraft availed (days)	32	87	315	289	341
27	Interest on Ways and Means Advances/Overdraft	15	29	71	70	94
28	Gross State Domestic Product (GSDP) [#]	8,57,427	9,50,090	9,42,814	11,28,907	13,13,391
29	Outstanding fiscal liabilities (year-end) ^{\Omega}	1,96,963	2,32,181	2,78,018	3,21,612	3,56,486
30	Outstanding guarantees (yearend) $^{\epsilon}$	77,713	89,601	1,05,007	1,35,283	1,98,244
31	Maximum amount guaranteed (yearend)	77,713	77,315	89,601	1,05,007	NA
32	Number of incomplete projects*	20	604	444	759	280
33	Capital blocked in incomplete projects*	1,00,494	1,36,061	1,53,636	1,09,612	1,78,354
Part	E Fiscal Health Indicat	ors				
I	Resource Mobilization	1				
	Own Tax revenue/GSDP	0.08	0.07	0.07	0.08	0.08
	Own Non-Tax Revenue/GSDP	0.01	0.008	0.006	0.008	0.01
	Central transfers/GSDP	0.02	0.02	0.01	0.02	0.01
II	Expenditure Manager	nent				
	Total Expenditure/ GSDP	0.18	0.19	0.24	0.22	0.22
	Total Expenditure/ Revenue Receipts	1.55	1.76	2.25	1.96	1.80
	Revenue Expenditure/Total Expenditure	0.62	0.60	0.54	0.55	0.53
	Expenditure on Social Services/Total Expenditure	0.33	0.30	0.24	0.26	0.23
	Expenditure on Economic Services/Total Expenditure	0.26	0.25	0.24	0.26	0.26
	Capital Expenditure/Total Expenditure	0.14	0.09	0.07	0.12	0.06
	Capital Expenditure on Social and Economic Services/ Total Expenditure	0.19	0.14	0.11	0.15	0.13
III	Management of Fiscal					
	Revenue Deficit (Surplus)/GSDP	0.005	(-)0.007	(-)0.023	(-)0.008	0.005
	Fiscal Deficit/ GSDP	(-)0.03	(-)0.03	(-)0.05	(-)0.04	(-)0.03
	Primary Deficit/ GSDP	(-)0.02	(-)0.02	(-)0.03	(-)0.02	(-)0.01

		2018-19	2019-20	2020-21	2021-22	2022-23
	Revenue Surplus/Fiscal Deficit	(-)0.16	0.20	0.46	0.20	(-)0.18
	Primary Revenue Balance/ GSDP	0.020	0.01	(-)0.01	0.01	0.02
IV	Management of Fiscal	Liabilities				
	Fiscal liabilities/ GSDP	0.23	0.24	0.29	0.28	0.27
	Fiscal liabilities/RR	1.94	2.26	2.76	2.52	2.19
	Primary Deficit vis-à- vis quantum spread	(-)2.42	(-)4.79	(-)2.65	(-)0.89	(-)0.40
	Debt Redemption: (Principal + Interest)/Total Debt Receipts	0.85	0.81	0.77	0.84	0.90
V	Other Fiscal Health In	ndicators				
	Return on Investment	0.48	0.53	0.43	0.17	0.25
	Financial Assets/Liabilities	0.66	0.68	0.66	0.68	0.72

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
- $^{\epsilon}$ As disclosed in Budget documents and additional information provided by the State Government

NA: Not available

Appendix 3.1

Excess Expenditure against amounts authorised by the Legislature during the year 2022-23

(Refer paragraph 3.4.2.1; page 107)

Sl. No.	Grant No.	Name of the Grant or Appropriation	Total Grant (in ₹)	Expenditure (in ₹)	Excess expenditure (in ₹)
Reve	enue Voted				
1	II	Governor and Council of Ministers	27,75,03,000	28,84,74,669	1,09,71,669
2	IX	Fiscal Administration, Planning, Surveys and Statistics	1,24,78,97,29,000	2,59,58,29,50,407	1,34,79,32,21,407
3	XXX	Co-operation	1,29,58,56,000	1,32,84,35,859	3,25,79,859
4	XXXV	Energy	78,01,25,42,000	1,48,56,04,22,504	70,54,78,80,504
		Sub Total	2,04,37,56,30,000	4,09,76,02,83,439	2,05,38,46,53,439
Capi	ital Voted				
5	IV	General Administration and Elections	3,64,25,000	5,77,54,519	2,13,29,519
6	XXXVI	Industries and Commerce	1,04,94,00,000	1,64,88,89,980	59,94,89,980
		Sub Total	1,08,58,25,000	1,70,66,44,499	62,08,19,499
Loar	ns Voted				
7	XXVII	Agriculture	2,00,92,00,000	13,07,65,78,666	11,06,73,78,666
		Sub Total	2,00,92,00,000	13,07,65,78,666	11,06,73,78,666
Reve	enue Charg	ged			
8	IX	Fiscal Administration, Planning, Surveys and Statistics	2,07,61,98,08,000	2,18,22,41,40,372	10,60,43,32,372
		Sub Total	2,07,61,98,08,000	2,18,22,41,40,372	10,60,43,32,372
Publ	ic Debt				
9	IX	Fiscal Administration, Planning, Surveys and Statistics	1,20,12,43,19,000	9,48,09,75,06,825	8,27,97,31,87,825
		Sub Total	1,20,12,43,19,000	9,48,09,75,06,825	8,27,97,31,87,825
		Grand Total	5,35,21,47,82,000	15,90,86,51,53,802	10,55,65,03,71,802

Appendix 3.2 (a)

Year-wise summary of excess expenditure yet to be regularised as of September 2023

(Refer paragraph 3.4.2.2; page 108)

						(x 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	2	4	2	1	
Amount	6,261.27	743.03	1,762.83	10.19	12,384.27	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
2021-22						
Number of Grants / Appropriation	3	2	7	1	1	
Amount	5,508.04	1,395.19	1,288.13	17.97	66,843.60	75,052.94
	•					

Appendix 3.2 (b)

Year-wise and Grant-wise details of excess expenditure relating to previous years requiring regularisation as of September 2023

(Refer paragraph 3.4.2.2; page 108)

					4 6	, ,
Year	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regulari- sation
2014-15	1	I	State Legislature	Revenue Charged	1.42	
	2	XI	Roads, Buildings and Ports	Loans Voted	1.95	
	3	XVIII	Housing	Loans Voted	5.30	Not rest
	4	XXV	Women, Child and Disabled Welfare	Capital Voted	1.38	Not yet regularised
	5	XXVIII	Animal Husbandry and Fisheries	Capital Voted	3.88	
	6	XXXIII	Major and Medium Irrigation	Capital Voted	289.72	
			Sub Total		303.65	
2015-16	1	II	Governor and Council of Ministers	Revenue Voted	1.70	
	2	IV	General Administration and Elections	Revenue charged	9.37	
	3	V	Revenue, Registration and Relief	Revenue voted	96.13	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	4,934.94	Not yet regularised
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	322.50	regularised
	6	X	Home Administration	Revenue Voted	328.30	
	7	XVIII	Housing	Loans Voted	185.06	
	8	XX	Labour and Employment	Capital Voted	2.72	
	9	XXIX	Forest, Science and Technology and Environment	Capital Voted	0.07	
			Sub Total		5,880.79	
2016-17	1	V	Revenue, Registration and Relief	Revenue Voted	130.87	
	2	V	Revenue, Registration and Relief	Capital Voted	3.04	
	3	VI	Excise Administration	Revenue voted	20.83	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue voted	4,334.47	Not yet regularised
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	2.16	
	6	X	Home Administration	Revenue voted	1,040.21	
	7	XI	Roads and Buildings and Ports	Revenue Voted	56.66	

Year	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regulari- sation
	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	
	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	Not yet
	7	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	122.06	regularised
	8	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	22,787.11	
	9	X	Home Administration	Revenue Voted	958.49	
	10	XII	School Education	Revenue Voted	15.52	
	11	XXIX	Forest, Science and Technology and Environment	Revenue Voted	156.78	
	12	XXXI	Panchayat Raj	Revenue voted	803.51	
			Sub Total		28,171.27	
2018-19	1	V	Revenue, Registration and Relief	Capital Voted	3.06	
	2	VI	Excise Administration	Revenue Voted	27.35	Not yet
	3	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	21,076.44	regularised

Year	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regulari- sation
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Charged	794.72	
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	3,990.45	
	6	X	Home Administration	Revenue Voted	773.25	
	7	XXI	Social Welfare	Loans Voted	1,500.00	
	8	XXII	Tribal Welfare	Loans Voted	900.00	
	9	XXIX	Forest, Science and Technology and Environment	Capital Voted	68.42	
			Sub Total		29,133.69	
2019-20	1	IV	General Administration and Elections	Revenue Voted	39.93	
	2	V	Revenue, Registration and Relief	Revenue Voted	1,342.10	
	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	XXIX	Forest, Science, Technology and Environment	Revenue Voted	8.84	
	11	V	Revenue, Registration and Relief	Capital Voted	0.00	Not yet regularised
	12	VI	Excise Administration	Capital Voted	0.03	
	13	VIII	Transport Administration	Capital Voted	0.00	
	14	X	Home Administration	Capital Voted	5.87	
	15	XIV	Technical Education	Capital Voted	1.73	
	16	XX	Labour and Employment	Capital Voted	0.51	
	17	XXIII	Backward 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	

Year	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regulari- sation
	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	Public Debt	35,474.26	
			Sub Total		47,896.43	
2020-21	1	I	State Legislature	Capital voted	0.10	
	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	
	5	VIII	Transport Administration	Capital voted	0.01	
	6	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	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	Not yet
	10	XI	Roads, Buildings and Ports	Revenue Voted	34.92	regularised
	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	

Year	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regulari- sation
2021-22	1	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	5,216.12	
	2	XXIX	Forest, Science, Technology and Environment	Revenue Voted	0.12	
	3	XXXV	Energy	Revenue Voted	291.80	
	4	VIII	Transport Administration	Capital Voted	0.50	
	5	XVI	Medical and Health	Capital Voted	127.57	
	6	XX	Labour and Employment	Capital Voted	3.36	
	7	XXV	Women, Child and Disabled Welfare	Capital Voted	5.99	Not yet
	8	XXX	Co-Operation	Capital Voted	1.61	regularised
	9	XXXI	Panchayat Raj	Capital Voted	567.99	
	10	XXXIII	Major and Medium Irrigation	Capital Voted	581.11	
	11	XXXV	Energy	Loans Voted	17.97	
	12	V	Revenue, Registration and Relief	Revenue charged	75.12	
	13	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue charged	1,320.07	
	14	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	66,843.60	
			Sub Total		75,052.94	
			Grand Total		2,89,114.92*	

^{*}Difference of 0.02 crore is due to rounding off

Appendix 3.3

Grants with savings of more than ₹1,000 crore

(Refer paragraph 3.4.3; page 108)

						(₹ in crore)
Grant No.	Grant Name	Original	Supplementary	Total	Expenditure	Savings
nue Voted						
V	Revenue, Registration and Relief	2,407.37	284.45	2,691.82	1,681.12	1,010.70
XI	Roads and Buildings	10,265.67	52.57	10,318.24	1,381.28	8,936.96
XVI	Medical and Health	7,072.68	1,556.22	8,628.90	6,629.72	1,999.18
XVII	Municipal Administration and Urban Development	7,114.88	1,031.63	8,146.51	5,040.40	3,106.11
XXI	Social Welfare	31,220.90	195.16	31,416.06	11,633.73	19,782.33
XXII	Tribal Welfare	10,804.88	106.71	10,911.59	7,088.30	3,823.29
XXIII	Backward Classes Welfare	5,289.83	22.65	5,312.48	3,389.68	1,922.80
XXVII	Agriculture	18,735.79	425.67	19,161.46	13,772.04	5,389.42
XXVIII	Animal Husbandry and Fisheries	1,752.00	112.08	1,864.08	690.16	1,173.92
XXXI	Panchayat Raj	5,838.06	2,737.29	8,575.35	5,862.71	2,712.64
XXXII	Rural Development	10,476.64	615.62	11,092.26	8,617.46	2,474.80
XXXVI	Industries and Commerce	1,706.70	64.25	1,770.95	508.69	1,262.26
XXXVIII	Civil Supplies Administration	1,858.52	72.53	1,931.05	433.55	1,497.50
Revenue V	Voted Sub-Total	1,14,543.92	7,276.83	1,21,820.75	66,728.84	55,091.91
tal Voted						
IX	Fiscal Administration, Planning, Surveys and Statistics	2,246.16	294.45	2,540.61	1,517.73	1,022.88
X	Home Administration	1,220.78	266.06	1,486.84	435.80	1,051.04
XI	Roads and Buildings	5,325.63	95.78	5,421.41	2,454.53	2,966.88
XVI	Medical and Health	3,033.32	278.30	3,311.62	881.75	2,429.87
XXII	Tribal Welfare	1,759.91	0.00	1,759.91	281.95	1,477.96
	No. nue Voted V XI XVI XVII XXII XXIII XXIII XXVIII XXXIII XXIII XXIII XXIII XXIII XXIII XXIII XXIII XXIII	No. No. Revenue, Registration and Relief XI	No. No. Grant Name Original	No. Grant Name Original Supplementary	No. Grant Name Original Supplementary Initial	No. Grant Name Original Supplementary Total Expenditure

Sl. No.	Grant No.	Grant Name	Original	Supplementary	Total	Expenditure	Savings
19	XXVII	Agriculture	5.00	1,106.93	1,111.93	2.53	1,109.40
20	XXXI	Panchayat Raj	2,385.28	273.55	2,658.83	1,388.27	1,270.56
21	XXXIII	Irrigation and Command Area Development	9,904.68	1,800.08	11,704.76	8,066.10	3,638.66
	Capital Voted Sub-Total						
	Capital V	oted Sub-Total	25,880.76	4,115.15	29,995.91	15,028.66	14,967.25
Loar	Capital V	oted Sub-Total	25,880.76	4,115.15	29,995.91	15,028.66	14,967.25
Loar 22	•	Voted Sub-Total Panchayat Raj	25,880.76 4,588.58	4,115.15 0.00	29,995.91 4,588.58	15,028.66 1,273.78	14,967.25 3,314.80
	ns Voted		, , , , , , , , , , , , , , , , , , ,	, , , , , , , , , , , , , , , , , , ,	,	,	,
22	xxxi xxxv	Panchayat Raj	4,588.58	0.00	4,588.58	1,273.78	3,314.80

Appendix 3.4

Surrenders orders issued in excess of actual savings

(Refer paragraph 3.4.6.3; page 118)

Sl. No.	Grant No.	Grant Name	Original Budget	Supple- mentary Budget	Total	Expen- diture	Actual Savings	Surrender
App	ropriations	S						
1	III	Administration of Justice (Revenue – Charged)	227.39	6.99	234.38	194.81	(-)39.57	(-)43.25
2	V	Revenue, Registration and Relief (Revenue Charged)		4.80	4.80	4.46	(-)0.33	(-)0.38
3	VI	Excise Administration (Revenue Charged)		0.08	0.08	0.08	(-)0.00*	(-)0.00**
4	X	Home Administration (Revenue Charged)	0.02	0.67	0.68	0.50	(-)0.18	(-)0.59
5	XI	Roads and Buildings (Revenue Charged)	3.00		3.00	0.51	(-)2.49	(-)2.49
Grai	nts							
6	I	State Legislature (Revenue Voted)	151.30	1.05	152.35	140.42	(-)11.94	(-)23.50
7	III	Administration of Justice (Capital Voted)	233.74	9.09	242.83	54.10	(-)188.73	(-)188.73
8	VI	Excise Administration (Revenue Voted)	454.86	2.36	457.22	332.49	(-)124.73	(-)124.73
9	VII	Commercial Taxes Administration (Revenue Voted)	312.69	3.10	315.79	283.85	(-)31.94	(-)31.94
10	VIII	Transport Administration (Capital Voted)	5.00		5.00	3.59	(-)1.41	(-)1.41
11	X	Home Administration (Capital Voted)	1,220.78	266.06	1,486.84	435.80	(-)1,051.05	(-)1,051.26
12	X	Home Administration (Loans Voted)	114.00		114.00	104.92	(-)9.08	(-)9.08
13	X	Home Administration (Revenue Voted)	7,980.68	588.59	8,569.27	8,396.86	(-)172.42	(-)209.15
14	XI	Roads and Buildings (Revenue Voted)	10,265.67	52.57	10,318.24	1,381.28	(-)8,936.96	(-)8,937.06
15	XII	School Education (Capital Voted)	129.62	564.29	693.90	565.07	(-)128.84	(-)128.84
16	XII	School Education (Revenue Voted)	13,556.64	2,453.90	16,010.55	15,012.77	(-)997.77	(-)998.63
17	XIII	Higher Education (Revenue Voted)	1,949.57	334.89	2,284.46	1,825.30	(-)459.16	(-)459.17
18	XIV	Technical Education (Capital Voted)	4.78	1.56	6.34	3.00	(-)3.34	(-)3.34
19	XIV	Technical Education (Revenue Voted)	390.15	27.84	417.99	376.64	(-)41.35	(-)41.35

Sl. No.	Grant No.	Grant Name	Original Budget	Supple- mentary Budget	Total	Expen- diture	Actual Savings	Surrender
20	XVI	Medical and Health (Revenue Voted)	7,072.67	1,556.23	8,628.90	6,629.72	(-)1,999.18	(-)2,036.78
21	XIX	Information and Public Relations (Revenue Voted)	231.47	34.07	265.53	235.40	(-)30.13	(-)30.17
22	XX	Labour and Employment (Revenue Voted)	511.36	77.27	588.62	496.50	(-)92.12	(-)99.49
23	XXIV	Minority Welfare (Revenue Voted)	1,728.71	395.53	2,124.24	1,564.85	(-)559.39	(-)560.91
24	XXVI	Administration of Religious Endowments (Revenue Voted)	411.05		411.05	235.03	(-)176.01	(-)176.28
25	XXVII	Agriculture (Capital Voted)	5.00	1,106.93	1,111.93	2.53	(-)1,109.40	(-)1,111.90
26	XXVIII	Animal Husbandry and Fisheries (Capital Voted)	4.30	81.65	85.95	5.58	(-)80.37	(-)80.37
27	XXVIII	Animal Husbandry and Fisheries (Loans Voted)	977.35	76.13	1,053.48	1,053.48	(-)0.00***	(-)0.00**
28	XXVIII	Animal Husbandry and Fisheries (Revenue Voted)	1,752.00	112.08	1,864.09	690.16	(-)1,173.92	(-)1,174.44
29	XXIX	Forest, Science, Technology and Environment (Capital Voted)	244.00		244.00	88.40	(-)155.60	(-)155.60
30	XXXI	Panchayat Raj (Loans Voted)	4,588.58		4,588.58	1,273.78	(-)3,314.80	(-)3,314.80
31	XXXI	Panchayat Raj (Revenue Voted)	5,838.06	2,737.29	8,575.35	5,862.71	(-)2,712.64	(-)2,712.64
32	XXXII	Rural Development (Revenue Voted)	10,476.63	615.62	11,092.26	8,617.46	(-)2,474.79	(-)2,482.99
33	XXXIII	Irrigation and Command Area Development (Capital Voted)	9,904.68	1,800.08	11,704.76	8,066.10	(-)3,638.66	(-)3,638.66
34	XXXIII	Irrigation and Command Area Development (Loans Voted)	11,729.06		11,729.06	10,767.97	(-)961.09	(-)961.09
35	XXXIII	Irrigation and Command Area Development (Revenue Voted)	1,004.09	24.68	1,028.77	450.84	(-)577.93	(-)577.93
36	XXXVI	Industries and Commerce (Revenue Voted)	1,706.70	64.25	1,770.94	508.69	(-)1,262.26	(-)1,267.47
37	XXXIX	Information Technology, Electronics and Communications (Capital Voted)	151.00		151.00	42.75	(-)108.25	(-)112.75

Note: Due to rounding off in lakh rupees, figures of actual savings and surrenders appear equal in some cases, though amount surrendered is more than actual savings

^{*} Actual savings is ₹881 ** Amount surrendered is ₹1,000

^{***} Actual savings is ₹704

Appendix 4.1
Year-wise pendency of AC bills
(Refer paragraph 4.5; page 137)

		counts Office lyderabad)	Tro	easury	J	Total
Year	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	1	0.12	18	12.35
2015-16	0	0.00	0	0.00	0	0.00
2016-17	0	0.00	0	0.00	0	0.00
2017-18	0	0.00	0	0.00	0	0.00
2018-19	0	0.00	0	0.00	0	0.00
2019-20	2	1.77	0	0.00	2	1.77
2020-21	1	1.99	0	0.00	1	1.99
2021-22	26	64.38	1	0.002	27	64.38
2022-23	73	61.74	17	3.22	90	64.96
Total	302	187.18	19	3.34	321	190.52

Appendix 4.2 Department-wise pendency of AC bills since 2014-15 (Refer paragraph 4.5; page 138)

		Of	Accounts fice (yderabad)	Treasury		,	Total
Sl. No.	Name of the Department	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)	No. of pending Bills	Amount (₹ in crore)
1	Home Department	39	101.04	-	-	39	101.04
2	Administration of Justice	37	20.35	-	-	37	20.35
3	Revenue Department	2	3.71	18	3.34	20	7.05
4	Information and Public Relations Department	2	3.49	-	-	2	3.49
5	Roads and Building Department	2	1.00	-	-	2	1.00
6	Secretariat	6	0.19	-	-	6	0.19
7	Youth Advancement, Tourism and Culture Department	9	0.06	1	0.00	10	0.06
8	Education Department	2	0.03	-	-	2	0.03
9	Animal Husbandry, Dairy Development and Fisheries Department	1	0.001	-	-	1	0.001
10	Panchayati Raj Department	1	0.002	-	-	1	0.002
11	Finance Department	1	0.002	-	-	1	0.002
	Total	102	129.87	19	3.34	121	133.21

Appendix 4.3

Cases where entire Receipts were booked under omnibus Minor Head - 800 in 2022-23

(Refer paragraph 4.7; page 141)

Sl. No.	Major Head	Major Head Description	Total Revenue Receipts (₹ in crore)	Revenue Receipts under Min Head 800 (₹ in crore)	Per cent
1	0700	Major Irrigation	141.17	141.17	100.00
2	1456	Civil Supplies	18.02	18.02	100.00
3	0801	Power	11.97	11.97	100.00
4	0506	Land Reforms	9.80	9.80	100.00
5	0217	Urban Development	9.13	9.13	100.00
6	1053	Civil Aviation	4.90	4.90	100.00
7	1452	Tourism	3.94	3.94	100.00
8	0701	Medium Irrigation	2.92	2.92	100.00
9	0235	Social Security and Welfare	1.98	1.98	100.00
10	0515	Other Rural Development Programmes	1.22	1.22	100.00
11	0211	Family Welfare	0.15	0.15	100.00
12	0056	Jails	0.11	0.11	100.00
13	0875	Other Industries	0.003	0.003	100.00
		TOTAL	205.31	205.31	100.00

Appendix 4.4

Cases where more than ₹100 crore of Receipts were booked under omnibus Minor Head - 800 for the year 2022-23

(Refer paragraph 4.7; page 141)

Sl. No.	Major Head	Major Head Description	Receipts under Major Head (₹ in crore)	Receipts under Minor Head- 800 (₹ in crore)	Per cent
1	0075	Miscellaneous General Services	9,800.00	5,722.62	58.39
2	0853	Non-ferrous Mining and Metallurgical Industries	7,493.94	940.06	12.54
3	0406	Forestry and Wild Life	304.72	297.25	97.55
4	0401	Crop Husbandry	177.77	176.31	99.18
5	0030	Stamps and Registration Fees	14,228.18	157.85	1.11
6	0700	Major Irrigation	141.17	141.17	100.00
7	0041	Taxes on Vehicles	6,736.91	138.30	2.05
		Total	38,882.69	7,573.56	19.48

Appendix 4.5

Cases where more than 50 *per cent* of receipts were booked under omnibus Minor Head - 800 for the year 2022-23

(Refer paragraph 4.7; page 141)

Sl. No.	Major Head	Major Head Description	Total Revenue Receipts (₹ in crore)	Revenue Receipts under Min Head 800 (₹ in crore)	Per cent
1	0702	Minor Irrigation	5.11	5.10	99.80
2	0401	Crop Husbandry	177.77	176.31	99.18
3	0216	Housing	78.66	77.56	98.60
4	0406	Forestry and Wild Life	304.72	297.25	97.55
5	0220	Information and Publicity	0.37	0.36	97.30
6	0425	Co-operation	6.92	6.54	94.51
7	1054	Roads and Bridges	2.39	2.17	90.79
8	0058	Stationery and Printing	0.50	0.39	78.00
9	0059	Public Works	6.97	5.04	72.31
10	0029	Land Revenue	0.27	0.19	70.37
11	0075	Miscellaneous General Services	9,800.00	5,722.62	58.39
			10,383.68	6,293.53	60.61

Appendix 4.6

Cases where more than ₹100 crore of Expenditure were booked under omnibus Minor Head - 800 for the year 2022-23

(Refer paragraph 4.7; page 142)

Sl. No.	Major Head	Major Head Description	Expenditure under Major Head (₹ in crore)	Expenditure under Minor Head-800 (₹ in crore)	Percentage
1	4700	Capital Outlay on Major Irrigation	7,427.47	385.63	5.19
2	2225	Welfare of Scheduled Castes, Scheduled Tribes,Other Backward Classes and Minorities	11,537.30	256.43	2.22
3	2700	Major Irrigation	384.98	238.36	61.92
4	2852	Industries	803.04	196.65	24.49
5	5054	Capital Outlay on Roads and Bridges	1,554.85	184.99	11.90
6	5475	Capital Outlay on Other General Economic Services	1,913.75	134.99	7.05
7	4225	Capital Outlay on Welfare of Scheduled Castes,Scheduled Tribes,Other Backward Classes and Minorities	245.22	108.86	44.39
8	2071	Pensions and Other Retirement Benefits	15,816.14	107.13	0.68
9	4875	Capital Outlay on Other Industries	159.89	106.00	66.30
		Total	39,842.64	1,719.04	43.15

Appendix 4.7

Cases where more than 50 *per cent* of Expenditure was booked under omnibus Minor Head - 800 for the year 2022-23

(Refer paragraph 4.7; page 142)

Sl No.	Major Head	Major Head Description	Expenditure under Major Head (₹ in crore)	Expenditure under Minor Head-800 (₹ in crore)	Percentage
1	4405	Capital Outlay on Fisheries	5.07	5.07	100.00
2	4070	Capital Outlay on Other Administrative Services	77.02	76.28	99.03
3	2408	Food Storage and Warehousing	16.77	12.16	72.51
4	4875	Capital Outlay on Other Industries	159.89	106.00	66.30
5	2700	Major Irrigation	384.98	238.36	61.92
		Total	643.73	437.87	68.02

Appendix 4.8

List of Major Heads in which receipts of ₹100 crore and above are not reconciled (Refer *paragraph* 4.9; page 145)

Sl. No.	МН	Major Head Description	Unreconciled figure (₹ in crore)
1	0075	Miscellaneous General Services	9,800
2	0210	Medical and Public Health	246
3	0070	Other Administrative Services	142
4	0700	Major Irrigation	141
		Total	10,329

Appendix 4.9

List of CCOs who have not reconciled expenditure of ₹100 crore and above
(Refer paragraph 4.9; page 146)

Sl. No.	CCO Code	CCO Designation	Unreconciled figure (₹ in crore)
1	10008	The Commissioner of police, Hyderabad City Police	1,703
2	16001	The Deputy Secretary to Government, Health, Medical and Welfare Department, Secretariat	1,504
3	17001	The Secretary, Municipal Administration and Urban Development Department Telangana Secretariat	1,486
4	21002	The Commissioner, Social Welfare	1,023
5	22001	The Accounts Officer, Office of the Commissioner of Tribal Welfare	682
6	13001	Higher Education, Secretariat Department – Head of Department, Secretary, Higher Education Department	650
7	36002	Industries – Head of Department, Commissioner of Industries	474
8	11002	The Engineer-In-Chief, (State Roads) Office of The Engineer-In-Chief (R&B)	412
9	27001	Secretary, Agriculture and Cooperation Department,	401
10	5010	Commissioner for Relief – Head of Department, Commissioner for Relief, Revenue (Relief), Secretariat,	381
11	33060	Engineer-In-Chief, Irrigation (General), Hyderabad	317
12	29002	The Principal Chief Conservator of Forests	234
13	11001	Secretary, Transport, Roads and Buildings Department, Telangana State Secretariat	211
14	14002	Director, Technical education	200
15	13004	Collegiate Education – Head of Department, Director of Collegiate Education	146
16	9002	Treasuries and Accounts – Head of Department, Director of Treasuries and Accounts	132
17	22005	Tribal Welfare Department, Secretariat Department	130
18	17002	The Director, Municipal Administration and Urban Development	120
19	5008	Registration and Stamps – Head of Department, Inspector General, Registration and Stamps	110
20	1001	Legislature Secretariat Secretary, Telangana State Legislature	109
		Total	10,425

Appendix 4.10 List of Autonomous Bodies whose accounts are in arrears (Refer paragraph 4.12; page 148)

Sl. No.	Name of the Office	Accounts to be received	Number of pending years
1	Integrated Tribal Development Agency, Bhadrachalam	2010-11 to 2022-23	13
2	Integrated Tribal Development Agency, Eturunagaram	2007-08 to 2022-23	16
3	Integrated Tribal Development Agency, Utnoor	2009-10 to 2022-23	14
4	Integrated Tribal Development Agency, Plain Areas, Telangana, Hyderabad	2014-15 to 2022-23	9
5	Telangana Building and Other construction Workers' Welfare Board	2019-20 to 2022-23	4
6	Metropolitan Legal Services Authority	2021-22 to 2022-23	2
7	Telangana State Legal Services Authority, Hyderabad	2018-19 to 2022-23	5
8	District Legal Services Authority, Adilabad	2017-18 to 2022-23	6
9	District Legal Services Authority, Karimnagar	2021-22 to 2022-23	2
10	Telangana State Electricity Regulatory Commission	2022-23	1
11	District Legal Services Authority, Mahabubnagar	2022-23	1
12	City Civil Court Legal Services Authority, Hyderabad	2021-22 to 2022-23	2
13	District Legal Services Authority, Warangal	2016-17 to 2022-23	7
14	District Legal Services Authority, Nalgonda	2022-23	1
15	District Legal Services Authority, Ranga Reddy	2021-22 to 2022-23	2
16	District Legal Services Authority, Khammam	2021-22 to 2022-23	2
17	Environment Protection Training and Research Institution	2020-21 to 2022-23	3
18	Telangana State Compensatory Afforestation Fund Management and Planning Authority	2022-23	1
19	Hyderabad Metropolitan Development Authority	2020-21 to 2022-23	3
20	Yadagirigutta Temple Development Authority	2022-23	1
21	Vemulavada Temple Area Development Authority	2022-23	1
22	Kakatiya Urban Development Authority	2013-14 to 2022-23	10
23	Hyderabad Metropolitan Water Supply and Sewerage Board	2020-21 to 2022-23	3
24	Stambhadri Urban Development Authority	2017-18 to 2022-23	6
25	Nizamabad Urban Development Authoirty	2017-18 to 2022-23	6
26	Siddipet Urban Development Authoirty	2017-18 to 2022-23	6
27	Satavahana Urban Development Authoirty	2017-18 to 2022-23	6
28	Telangana Vaidya Vidhana Parishad	2014-15 to 2022-23	9
29	Telangana State Khadi and Village Industries Board	2014-15 to 2022-23	9

Appendix 4.11

List of Corporations/Bodies who have furnished the information regarding receipts of Grants/Loans

(Refer paragraph 4.13.; page 149)

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 council of Science and Technology (TSCOST)
6	Telangana State Biodiversity Board
7	Telangana State Food Processing Society
8	Telangana State Agro Industries Development Corporation
9	Telangana State Seeds Development Corp Ltd
10	Telangana State Cooperative Union Limited
11	Telangana State Seed and Organic Certification Authority
12	Telangana State Cooperative Oilseeds Growers Federation Limited
13	Telangana State Cooperative Rural Irrigation Corporation
14	Telangana State Cooperative Bank Limited
15	Sri Konda Laxman Telangana State Horticultural University, Mulugu
16	Professor Jayashankar Telangana State Agricultural University
17	Horticulture Development Agency/ Society for Horticultural Nurseries (SHN)
18	Mission for Integrated Development of Horticulture, Telangana, Hyderabad
19	The Telangana State Dairy Development Cooperative Federation Limited
20	P.V.Narasimha Rao Telangana Veterinary university
21	Telangana State Veterinary Biological Research Centre
22	Telangana State Pollution Control Board
23	National Green Corps
24	Telangana Khadi and Village Industries Board
25	INVEST Telangana Cell
26	Telangana State Handloom Weavers Cooperative Society Limited
27	Water and Land Management Training and Research Institute (WALAMTARI)
28	Environment Protection Training and Research Institute (EPTRI)
29	Nehru Zoological Park, Hyderabad
30	Telangana State Road Development Corporation
31	Telangana Power Finance Corporation Limited
32	Telangana State Leather Industries Promotion Corporation Limited
33	Telangana State Aviation Corporation Limited
34	Telangana Water Resources Development Corporation Limited
35	Kakatiya University

Sl. No.	Corporations/Bodies
36	Potti Sriramulu Telugu university
37	Mahatma Gandhi University
38	Osmania University
39	Government Degree College Bichukunda
40	Government Degree College Banswada
41	Government Degree College Narayanaguda
42	Model Degree College Asifabad
43	Government Degree College Paloncha
44	Government Degree College khairatabad
45	Government Degree College kodad
46	Model Degree College Nelakondapally
47	Government Degree College Sathupally
48	Model Degree College Bhupalapally
49	Government Degree College Ramannapet
50	Government Degree College Kamareddy
51	Government Degree College Huzurabad
52	University College for Women, Koti
53	Centre for Forest and Natural Resources Management Studies

Appendix 4.12

Department-wise status of receipt of Explanatory Notes

(Refer paragraph 4.14; page 150)

Sl. No.	Department	Total ENs to be received	ENs received	ENs yet to be received
1	Finance	169	158	11
2	Panchayat Raj & Rural Development	5	1	4
3	Energy	4	Nil	4
4	Agriculture & Cooperation	3	Nil	3
5	Revenue	3	Nil	3
6	Health, Medical & Family Welfare	2	1	1
7	Scheduled Castes Development	2	1	1
8	Animal Husbandry, Dairy Development & Fisheries	1	Nil	1
9	Home	1	Nil	1
10	Planning	1	Nil	1
11	Women, Children, Disabled & Senior Citizens	1	Nil	1
12	Irrigation & Command Area Development	3	3	Nil
13	Municipal Administration & Urban Development	3	3	Nil
14	School Education	3	3	Nil
15	Housing*	2	2	Nil
16	Tribal Welfare	2	2	Nil
17	Environment, Forest, Science & Technology	2	2	Nil
18	Consumer Affairs, Food & Civil Supplies	1	1	Nil
19	Law	1	1	Nil
	Total	209	178	31

^{*} now Housing Department merged with Roads and Buildings Department

Appendix 5.1

Statement showing list of State Public Sector Undertakings (SPSUs) of Telangana under audit jurisdiction of CAG and status of their annual accounts

(Reference to paragraph 5.3 and 5.5.1; page 153 and 154)

Sl. No.	Name of the SPSU	Accounts finalized up to	Year(s) Pending Finalisation	No. of years pending
	Power Sector	r SPSUs		
1	The Singareni Collieries Company Limited	2022-23	0	0
2	Northern Power Distribution Company of Telangana Limited	2022-23	0	0
3	Southern Power Distribution Company of Telangana Limited	2022-23	0	0
4	Telangana Power Finance Corporation Limited	2022-23	0	0
5	Telangana State Power Generation Corporation Limited	2022-23	0	0
6	Transmission Corporation of Telangana Limited	2022-23	0	0
7	Telangana State Renewable Energy Development Corporation Limited	2019-20	2020-23	3
8	Andhra Pradesh Tribal Power Corporation Limited#	2021-22	2022-23	1
	Non-Power Sec	etor SPSUs		
Gove	rnment Companies			
9	Damodhara Mineral Private Limited	2022-23	0	0
10	Manjira Lift Irrigation Corporation Limited	Since inception (DoI 20 Jan. 2022)	2022-23	1
11	Telangana Industrial Health Clinic Limited	2022-23	0	0
12	Telangana State Horticulture Development Corporation Limited	2021-22	2022-23	1
13	Telangana State Technology Services Limited	2022-23	0	0
14	Telangana Water Resources Development Corporation Limited	2022-23	0	0
15	The Nizam Sugars Limited	2022-23	0	0
16	Hyderabad Road Development Corporation Limited	2021-22	2022-23	1
17	Kaleshwaram Irrigation Project Corporation Limited	2021-22	2022-23	1
18	Musi Riverfront Development Corporation Limited	2021-22	2022-23	1
19	Telangana Overseas Manpower Company Limited	2021-22	2022-23	1
20	Telangana Rythu Bandhu Samithi	2020-21	2021-23	2
21	Telangana State Film Development Corporation Limited	2021-22	2022-23	1
22	Telangana State Minorities Finance Corporation	2021-22	2022-23	1

Sl. No.	Name of the SPSU	Accounts finalized up to	Year(s) Pending Finalisation	No. of years pending
23	Telangana State Police Housing Corporation Limited	2021-22	2022-23	1
24	Telangana State Seeds Development Corporation Limited	2021-22	2022-23	1
25	T-Works Foundation	2022-23	0	0
26	Bio Tech Hub Limited	Not Received (DoI 2 July 2020)	2020-21 to 2022-23	3
27	Infrastructure Corporation of Andhra Pradesh Limited#	2021-22	2022-23	1
28	Telangana Drinking Water Supply Corporation Limited	2020-21	2021-23	2
29	Telangana Fiber Grid Corporation Limited	2020-21	2021-23	2
30	Telangana State Irrigation Development Corporation Limited	2021-22	2022-23	1
31	Telangana State Mineral Development Corporation Limited	2020-21	2021-23	2
32	Telangana State Water Resources Infrastructure Development Corporation Limited	2020-21	2021-23	2
33	Telangana Urban Finance Infrastructure Development Corporation Limited	2019-20	2020-23	3
34	Photonics Valley Corporation	2018-19	2019-23	4
35	E-city Manufacturing Cluster Limited	2019-20	2020-23	3
36	Fab City SPV (India) Private Limited	2018-19	2019-23	4
37	Hyderabad Pharma City Limited	2019-20	2020-23	3
38	Maheswaram Science Park	2018-19	2019-23	4
39	Pashamylaram Textile Park Limited	2018-19	2019-23	4
40	Telangana Life Sciences Infrastructure Development Limited	2018-19	2019-23	4
41	Telangana State Forest Development Corporation Limited	2020-21	2021-23	2
42	Telangana State Agro Industries Development Corporation	2019-20	2020-23	3
43	Telangana State Industrial Infrastructure Corporation Limited	2019-20	2020-23	3
44	Telangana State Most Backward Classes Development Corporation	2020-21	2021-23	2
45	Telangana State Trade Promotion Corporation Limited	2019-20	2020-23	3
46	Zaheerabad NIMZ Limited	2018-19	2019-23	4
47	Hyderabad Airport Metro Limited	Not Received (DoI 1Apr 2018)	2018-23	5
48	Telangana Handloom Development Corporation Limited	Not Received (DoI 19 Jun 2018)	2018-23	5
49	Telangana Powerloom & Textiles Development Corporation Limited	Not Received (DoI 19 Jun 2018)	2018-23	5

Sl. No.	Name of the SPSU	Accounts finalized up to	Year(s) Pending Finalisation	No. of years pending
50	Telangana Rajiv Swagruha Corporation Limited	Not Received (DoI 1 Mar 2018)	2018-23	5
51	Telangana State Beverages Corporation Limited	2017-18	2018-23	5
52	Wehub Foundation	Not Received (DoI 30 Aug 2018)	2018-23	5
53	Hyderabad Metro Rail Limited	2016-17	2017-23	6
54	Telangana State Civil Supplies Corporation Limited	2017-18	2018-23	5
55	Telangana State Handicrafts Development Corporation Limited	2016-17	2017-23	6
56	Telangana State Tourism Development Corporation Limited	2017-18	2018-23	5
57	Telangana State Housing Corporation Limited 2015-16		2016-23	7
58	Telangana State Industrial Development Corporation Limited	2016-17	2017-23	6
59	Telangana State Leather Industries Promotion Corporation Limited	2016-17	2017-23	6
60	Telangana State Aviation Corporation Limited	Not Received (DoI 15 May 2015)	2015-23	8
61	Telangana State Christian Minorities Finance Corporation	Not Received (DoI 13 Mar 2015)	2015-23	8
Statu	tory Corporation			
62	Telangana State Road Transport Corporation	Not Received (DoI 27 Apr 2016)	2016-23	7
63	Telangana State Warehousing Corporation	2017-18	2018-23	5
64	Telangana State Financial Corporation	Not Received (DoI 31Aug 2018)	2015-23	8
Gove	rnment Controlled Other Companies			
65	Hyderabad Growth Corridor Limited	2021-22	2022-23	1
66	Karimnagar Smart City Corporation Limited	Not Received (DoI 05 Sep 2017)	2017-23	6
67	Greater Warangal Smart City Corporation Limited	Not Received (DoI 18 Aug 2016)	2016-23	7
Inact	ive SPSUs			
68	Andhra Pradesh Essential Commodities Corporation Limited [#]	2013-14	2014-23	9
69	Andhra Pradesh Electronics Development Corporation Limited#	2002-03	2003-23	20
70	A.P Small Scale Industrial Development Corporation Limited#	2001-02	2002-23	21
71	Allwyn Watches Limited#	1998-99	1999-23	24
72	Golkonda Abrasives Limited#	1997-98	1998-23	25
73	Aptronix Communications Limited#	NA	NA	NA
74	Allwyn Auto Limited#	1994-95	1995-23	28
75	Andhra Pradesh Automobile Tyres & Tubes Limited#	1992-93	1993-23	30

Sl. No.	Name of the SPSU	Accounts finalized up to	Year(s) Pending Finalisation	No. of years pending
76	Marine and Communication Electronics (India) Limited#	1992-93	1993-23	30
77	Andhra Pradesh Steels Limited#	1991-92	1992-23	31
78	Republic Forge Company Limited#	1991-92	1992-23	31
79	PJ Chemicals Limited [#]	1989-90	1990-23	33
80	Vidyut Steels Limited#	1985-86	1986-23	37
81	Krishi Engineering Limited#	1984-85	1985-23	38
82	Hyderabad Chemicals and Fertilizers Limited [#]	1984-85	1985-23	38
83	TSMDC-SCCL Suliyari Coal Company Limited	Not Received (DoI 1 Jul 2013)	2013-23	10

Companies under demerger DoI: Date of Incorporation of SPSU

Appendix 5.2

Statement showing the Budgetary support provided to SPSUs during the years 2020-21 to 2022-23

(Reference to paragraph 5.5.1 and 5.5.3; page 155, 156 and 157)

SI. No.	Name of the SPSU	Year upto which accounts finalised	Equity Capital Outgo (i)	Loans given (ii)	Grants/ Subsidy provided (iii)	Total Outgo (i+ii+iii)
		Year of Outgo 202	20-21			
1	Southern Power Distribution Company of Telangana Limited	2021-22	0	0	1,397.50	1,397.50
2	Northern Power Distribution Company of Telangana Limited	2021-22	0	0	4,254.15	4,254.15
3	Telangana Power Finance Corporation Limited	2021-22	1.95	0	0	1.95
4	Telangana State Renewable Energy Development Corporation Limited	2021-22	0	0	9.74	9.74
5	Telangana State Housing Corporation Limited	First Accounts not submitted	0	2,461.06	162.1	2,623.16
6	Telangana Industrial Health Clinic Limited	2016-17	0	0	10	10
7	T-Works Foundation	2020-21	0	0	0.16	0.16
8	Wehub Foundation	First Accounts not submitted	0	0	3	3
		,	Total Outg	go for the ye	ear 2020-21	8,299.66
		Year of Outgo 202	21-22			
1	Northern Power Distribution Company of Telangana Limited	2021-22	0	0	90.34	90.34
2	Southern Power Distribution Company of Telangana Limited	2021-22	0	0	1,491.99	1,417.48
3	Telangana State Renewable Energy Development Corporation Limited	2018-19	0	0	10.04	10.04
4	Telangana State Housing Corporation Limited	2015-16	0	2,264.53	650	2,914.53
5	Telangana Water Resource Development Corporation Limited	2021-22	0.5	0	0	0.5
6	T-Works Foundation	2020-21	0	0	4.5	4.5
				o for the ye	ear 2021-22	4,437.39
		Year of Outgo 202	22-23			
1	Southern Power Distribution Company of Telangana Limited	2022-23	0	0	1,923.89	1,923.89
2	Northern Power Distribution Company of Telangana Limited	2022-23	0	0	6,404.00	6,404.00
3	Telangana Power Finance Corporation Limited				0.5	0.5
4	Telangana State Renewable Energy Development Corporation Limited	2019-20	0	0	1.09	1.09

SI. No.	Name of the SPSU	Year upto which accounts finalised	Equity Capital Outgo (i)	Loans given (ii)	Grants/ Subsidy provided (iii)	Total Outgo (i+ii+iii)
5	Telangana State Housing Corporation Limited.	2015-16	0	950	100	1050.00
6	Telangana Industrial Health Clinic Limited	2022-23	0	0.65	0	0.65
7	Telangana Water Resource Development Corporation Limited	2022-23	0	0	0.50	0.50
8	T-works Foundation	2022-23	0	0	1.25	1.25
9	Manjeera Lift Irrigation Corporation Limited	DOI (20.01.2022)	0.10	0	0	0.10
Total Outgo for the year 2022-23					9,381.98	

Appendix 5.3

Statement showing list of SPSUs where Capital was eroded (Reference to paragraph 5.7.2; page 159)

`	rth	12,701.49	2,669.46	2,140.59	11.57	23.79	2.00	1.66	60.0(-)
	Net Worth	12,70	2,66	2,14	(-)30,311.57	(-)12,723.79			(-)
	Capital Employed	15,071.40	33,093.26	12,070.46	(-)14,901.45	(-)2,697.38	2,132.40	1.66	60:0(-)
	Accumulated profit/Loss	10,968.29	1,799.82	2,140.54	(-)42,329.50	(-)18,592.99	ı	1.52	(-)0.13
	Free Reserves	10,154.87	5,665.04	1,667.59	ı	1	1	1.40	1
	Long term Loan	2,369.91	30,423.80	9,929.87	15,410.12	10,026.41	2,130.40	1	1
	Paid up Capital	1,733.20	869.64	0.05	12,017.93	5,869.20	2.00	0.14	0.04
	Net Profit/Net Loss after Interest and Tax	2,596.40	96.806	304.45	(-)8,147.48	(-)2,955.96	1	(-)4.06	(-)0.01
	Year in which finalized	2022-23	2022-23	2022-23	2022-23	2022-23	2022-23	NA	2022-23
	Period of Accounts	2022-23	2022-23	2022-23	2022-23	2022-23	2022-23	2019-20	2022-23
	Sector Type and Name of SPSU	The Singareni Collieries Company Limited	Telangana State Power Generation Corporation Limited	Transmission Corporation of Telangana Limited	Southern Power Distribution Company of Telangana Limited	Northern Power Distribution Company of Telangana Limited	Telangana Power Finance Corporation Limited	Telangana State Renewable Energy Development Corporation Limited	Damodhara Minerals Private Limited
	SI. No.	1	2	3	4	N	9	7	&

Si. No.	Sector Type and Name of SPSU	Period of Accounts	Year in which finalized	Net Profit/Net Loss after Interest and Tax	Paid up Capital	Long term Loan	Free Reserves	Accumulated profit/Loss	Capital Employed	Net Worth
6	Manjeera Lift Irrigaton Corporation Limited	First Account Not Received	NA	(-)0.15	0.10	1	1	(-)0.15	(-)0.05	(-)0.05
10	Nizam Sugars Limited	2022-23	2022-23	(-)24.90	33.17	55.95	0.45	(-)276.98	(-)187.86	(-)243.81
=======================================	Telangana Industrial Health Clinic Limited	2022-23	2022-23	0.22	10.03	1.54	5.92	(-)4.12	7.45	5.91
12	Telangana Rajiv Swagruha Corporation Limited	First Account Not Received	NA	(-)25.26	0.05	1	1	(-)890.67	(-)890.62	(-)890.62
13	Telangana State Horticulture Development Corporation Limited	2021-22	NA	(-)1.32	0.01	1	3.36	3.55	3.55	3.55
14	Telangana State Housing Corporation Limited.	2015-16	NA	(-)795.13	0.25	7,664.41	ı	(-)6,744.81	919.85	(-)6,744.56
15	Telangana State Mineral Development Corporation Limited	2020-21	NA	38.31	0.07	ı	313.94	313.68	313.75	313.75
16	Telangana State Technology Services Limited	2022-23	2022-23	9.14	0.05	ı	87.02	87.02	87.07	87.07
17	Telangana Water Resource Development Corporation Limited	2022-23	2022-23	(-)0.21	1.00	ı	0.08	(-)1.28	(-)0.28	(-)0.28
18	T-works Foundation	2022-23	2022-23	(-)15.18	ı	22.74	1	(-)15.86	88.9	(-)15.86
	Sub Total (A)			(-)8,112.18	20,536.93	78,035.15	17,899.67	(-)53,542.07	45,030.00	(-)3,005.15
В	Statutory Corporations									
	Sub Total (B)			1	1	1	1	1	1	1
	Total (A+B)			(-)8,112.18	20,536.93	78,035.15	17,899.67	(-)53,542.07	45,030.00	(-)33,005.15

*NA- Not Applicable

Appendix 5.4

Statement showing list of SPSUs having Negative Net Worth as on 31 March 2023

(Reference to paragraph 5.7.2; page 160)

(₹ in crore) Government Loans as on 31 762.63 357.35 405.29 0.00 0.00 0.00 0.00 0.00 0.00 8,427.05 7,664.41 7,664.41 26,348.38 **March 2023** State 0.25 0.10 0.00 32.80 0.00 17,887.13 0.05 1.00 34.20 5,869.20 17,921.33 12,017.93 Government Equity as on 31 March 2023 State (-)0.05(-)0.06(-)0.28(-)12,723.79 (-)43,035.36(-)6,744.56(-)15.86(-)7,871.50(-)30,311.57(-)890.62(-)243.81(-)50,930.63Net Worth 2014-15 2014-15 2014-15 2015-16 2022-23 2014-15 2018-19 2022-23 2020-21 Period since worth has remained when Net negative (-)0.13(-)1.28(-)0.15(-)15.86(-)18,592.99(-)42,329.50(-)60,922.49(-)276.98(-)7,929.88(-)890.67Accumulated (-)6,744.81(-)68,852.37Loss Non-Power sector Power sector (-)2,955.96 (-)25.26(-)8,147.48(-)11,103.44(-)24.90(-)0.15(-)15.18(-)860.84(-)795.13(-)0.01(-)0.21interest, tax and dividend (-)11,964.28Net Profit/ Loss after 0.10 17,887.13 0.00 **Fotal Paid-**5,869.20 12,017.93 0.04 0.05 0.25 1.00 33.17 Up Capital 34.61 17,921.74 Total State Government investment (Equity and Loan) finalised accounts 2022-23 year of 2022-23 Received 2015-16 inception 2022-23 2022-23 Latest 2022-23 2022-23 Since Not The Nizam Sugars Limited Telangana Rajiv Swagruha Telangana Water Resource Development Corporation Distribution Company of Sector & Name of the SPSU Distribution Company of Telangana State Housing Manjeera Lift Irrigaton Damodhara Minerals Corporation Limited Corporation Limited T-Works Foundation Corporation Limited Telangana Limited Telangana Limited Northern Power Southern Power Private Limited Sub-Total Sub Total Limited Total SI. 7 6 α 9 ∞ 4 S

Appendix 5.5 Statement showing Return on Equity as on 31 March 2023

(Reference to paragraph 5.9.1.1; page 165)

			2020-21			2021-22			200	2022-23	
S o	Name of the Company/Corporation	PAT (₹ in crore)	Shareholder Fund (₹ in crore)	ROE (in %)	PAT (₹ in crore)	Shareholder Fund (₹ in crore)	ROE (in %)	No. of SPSUs	PAT (₹ in crore)	Shareholder Fund (₹ in crore)	ROE (in %)
1	2	3	4	5	9	7	8	6	10	11	12
	Power Sector										
1	The Singareni Collieries Company Limited	272.64	8,516.54	3.20	1,227.04	10,212.74	12.01	1	2,596.40	12,701.49	20.44
2	Telangana State Power Generation Corporation Limited	168.80	1,802.06	9.37	394.46	2,196.52	17.96	1	96:806	2,669.46	34.05
8	Transmission Corporation of Telangana Limited	273.77	1,781.14	15.37	86.27	1,839.33	4.69	1	304.45	2,140.59	14.22
4	Southern Power Distribution Company of Telangana Limited	(-)4,245.96	(-)21,537.41	1	(-)626.80	(-)22,164.21	1	1	(-)8,147.48	(-)30,311.57	26.88
v	Northern Power Distribution Company of Telangana Limited	(-)2,440.37	(-)9,557.68	ı	(-)204.03	(-)9,764.54	1	1	(-)2,955.96	(-)12,723.79	23.23
9	Telangana Power Finance Corporation Limited	0.00	2.00	0.00	0.00	2.00	0.00		0.00	2.00	0.00
۲	Telangana State Renewable Energy Development Corporation Limited	1.11	3.96	28.03	1.86	5.72	32.52	1	(-)4.06	1.66	(-)244.58
	Sub-Total	(-)5,970.01	(-)18,989.39	-	878.8	(-)17,672.44	(-)4.97	9	(-)7,297.69	(-)25,520.16	28.60
	Non-Power sector										
∞	Telangana Industrial Health Clinic Limited	(-)0.71	5.80	•	(-)0.07	5.73	•	1	0.22	5.91	3.72

		2020-21			2021-22			20	2022-23	
Name of the Company/Corporation	PAT (₹ in crore)	Shareholder Fund (₹ in crore)	ROE (in %)	PAT (₹ in crore)	Shareholder Fund (₹ in crore)	ROE (in %)	No. of SPSUs	PAT (₹ in crore)	Shareholder Fund (₹ in crore)	ROE (in %)
2	8	4	w	9	7	∞	6	10	11	12
Telangana State Housing Corporation Limited.	(-)733.15	(-)7,101.80	1	(-)817.16	(-)5,722.89	1	1	(-)795.13	(-)6,744.56	11.79
T-works Foundation	(-)1.55	(-)1.50	1	0.82	89:0(-)		-	(-)15.18	(-)15.86	95.71
Damodhara Minerals Private Limited	(-)0.01	(-)0.08	ı	(-)0.01	(-)0.08	ı	-	(-)0.01	60.0(-)	11.11
Telangana Rajiv Swagruha Corporation Limited	(-)66.27	(-)541.34	1	(-)324.23	(-)865.57	1	1	(-)25.26	(-)890.62	2.84
The Nizam Sugars Limited	0.38	(-)218.94	ı	0.85	(-)218.09	ı	П	(-)24.90	(-)243.81	10.21
Telangana State Technology Services Limited	10.15	69.75	14.55	9.18	77.93	11.78	1	9.14	87.07	10.50
Telangana State Horticulture Development Corporation Limited	(-)0.74	5.12	1	(-)0.25	4.87		1	(-)1.32	3.55	(-)37.23
Telangana State Mineral Development Corporation Limited	42.92	160.56	26.73	40.81	201.37	20.27	1	38.31	313.75	12.21
Telangana Water Resource Development Corporation Limited	(-)0.18	0.02	ı	(-)0.52	0.00	1	1	(-)0.21	(-)0.28	75.00
Manjeera Lift Irrigation Corporation Limited	0.00	00.00	0.00	0.00	0.00	0.00	1	(-)0.15	(-)0.05	300.00
Sub-Total	(-)749.16	(-)7,622.41		(-)1,090.58	(-)6,517.41	ı	11.00	(-)814.49	(-)7,484.99	10.88
Total	(-)6,719.17	(-)26,611.80	•	(-)211.78	(-)24,189.85		17.00	(-)8,112.18	(-)33,005.15	24.58

Appendix 5.6

Statement showing Return on Capital Employed as on 31 March 2023

(Reference to paragraph 5.9.1.2; page 165)

			2020-21			2021-22			2022-23	
Z o	Name of the Company/Corporation	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROC (in %)	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROC (in %)	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROC (in %)
-	2	က	4	w	9	7	∞	6	10	11
	Power Sector									
1	The Singareni Collieries Company Limited	1,705.89	12,137.80	14.05	3,097.19	12,989.03	23.84	5,174.80	15,071.40	34.34
2	Telangana State Power Generation Corporation Limited	2,990.02	26,465.95	11.30	3,648.18	30,247.74	12.06	4,122.34	33,093.26	12.46
3	Transmission Corporation of Telangana Limited	1,301.29	10,967.78	11.86	1,175.61	12,114.22	9.70	1,349.10	12,070.46	11.18
4	Southern Power Distribution Company of Telangana Limited	(-)2,717.14	(-)5,844.04	46.49	1,926.87	(-)7,853.78	(-)24.53	(-)5,489.44	(-)14,901.45	36.84
5	Northern Power Distribution Company of Telangana Limited	(-)1,745.65	(-)425.66	410.10	773.45	(-)1,465.59	(-)52.77	(-)1,985.02	(-)2,697.38	73.59
9	Telangana Power Finance Corporation Limited	0.00	2,924.00	0.00	0.00	2,766.20	0.00	0.00	2,132.40	0.00
7	Telangana State Renewable Energy Development Corporation Limited	3.46	3.96	87.37	2.58	5.72	45.10	(-)3.99	1.66	(-)240.36
	Sub - Total	1,537.87	46,229.79	3.33	10,623.88	48,803.54	21.77	3,167.79	44,770.35	7.08
	Non - Power sector									
∞	Telangana Industrial Health Clinic Limited	(-)0.71	7.42	(-)9.57	(-)0.08	6.62	(-)1.21	0.20	7.45	2.68

			2020-21			2021-22			2022-23	
No.	Name of the Company/Corporation	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROC (in %)	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROC (in %)	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROC (in %)
1	2	3	4	w	9	7	∞	6	10	11
6	Telangana State Housing Corporation Limited.	(-)24.24	4,718.31	(-)0.51	(-)802.23	9,369.62	(-)8.56	(-)781.63	919.85	(-)84.97
10	T-Works Foundation	(-)1.55	0.50	(-)310.00	0.82	17.56	4.67	(-)14.68	88.9	(-)213.37
11	Damodhara Minerals Private Limited	(-)0.01	(-)0.08	12.50	(-)0.01	(-)0.08	12.50	(-)0.01	60.0(-)	11.11
12	Telangana Rajiv Swagruha Corporation Limited	(-)66.26	(-)541.34	12.24	(-)324.23	(-)865.57	37.46	(-)25.26	(-)890.62	2.84
13	The Nizam Sugars Limited	0.38	(-)162.99	(-)0.23	0.85	(-)162.14	(-)0.52	(-)1.96	(-)187.86	1.04
14	Telangana State Technology Services Limited	14.12	69.75	20.24	13.31	77.93	17.08	12.51	87.07	14.37
15	Telangana State Horticulture Development Corporation Limited	61.76	312.36	19.77	43.50	136.55	31.86	23.99	3.55	676.54
16	Telangana State Mineral Development Corporation Limited	56.39	160.56	35.12	55.96	201.37	27.79	51.20	313.75	16.32
17	Telangana Water Resource Development Corporation Limited	(-)0.19	0.05	(-)950.00	(-)0.52	0.00	0.00	(-)0.21	(-)0.28	75.00
18	Manjeera Lift Irrigation Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	(-)0.15	(-)0.02	300.00
	Sub-Total	39.69	4,564.51	0.87	(-)1,012.63	8,781.86	(-)11.53	(-)736.00	259.65	(-)283.46
	Total	1,577.56	50,794.30	3.11	9,611.25	57,585.40	16.69	2,431.79	45,030.00	5.40

Appendix 5.7 Rate of Real Return on Investment on historical cost basis

(Reference to paragraph 5.9.1.3 (A); page 167)

(₹ in crore)

Year 1	Funds invested by State Government in form of Equity, interest free loans and grants, subsidies	Funds invested by Central Government in form of Equity and grants, subsidies	Funds invested by Others in form of Equity and grants, subsidies	Total investment in form of Equity, interest free loans and grants, subsidies	Total Earnings/ Losses for the year	Rate of Real Return on the basis of Historical Cost of Investment
		Pow	er Sector SPS	SUs		
2014-15	11,316.33	858.73	81.76	12,256.82	(-)1905.38	(-)15.55
2015-16	15,806.00	900.52	175.76	16,882.28	(-)2319.77	(-)13.74
2016-17	22,485.88	933.07	263.03	23,681.98	(-)5408.40	(-)22.84
2017-18	32,081.54	997.62	440.40	33,519.56	(-)3926.81	(-)11.71
2018-19	44,410.59	1356.71	490.85	46,258.15	(-)5831.07	(-)12.61
2019-20	51,160.76	1452.82	490.85	53,104.43	(-)4681.39	(-)8.82
2020-21	56,824.10	1519.68	517.85	58,861.63	(-)5970.01	(-)10.14
2021-22	58,251.62	1521.50	517.85	60,290.97	878.80	1.46
2022-23	66,601.62	1534.84	517.89	68,654.35	(-)7297.69	(-)10.63
		Non-P	ower Sector S	SPSUs		
2014-15	52.46	0.00	0.75	53.21	(-)3.62	(-)6.80
2015-16	156.20	0.00	0.75	156.95	(-)122.15	(-)77.83
2016-17	282.38	0.00	0.75	283.13	15.07	5.32
2017-18	486.42	190.79	0.75	677.96	(-)137.44	(-)20.27
2018-19	1443.83	190.79	0.78	1635.40	(-)321.65	(-)19.67
2019-20	2101.64	190.79	0.78	2293.21	(-)516.53	(-)22.52
2020-21	2273.87	190.79	0.78	2465.44	(-)749.16	(-)30.39
2021-22	2278.92	190.79	0.78	2470.49	(-)1,090.58	(-)44.14
2022-23	2379.79	190.79	0.44	2571.02	(-)814.49	(-)31.68
Total						
2014-15	11,368.79	858.73	82.51	12,310.03	(-)1909.00	(-)15.51
2015-16	15,962.20	900.52	176.51	17,039.23	(-)2441.92	(-)14.33
2016-17	22,768.26	933.07	263.78	23,965.11	(-)5393.33	(-)22.50
2017-18	32,567.96	1188.41	441.15	34,197.52	(-)4064.25	(-)11.88
2018-19	45,854.42	1547.50	491.63	47,893.55	(-)6152.72	(-)12.85
2019-20	53,262.40	1643.61	491.63	55,397.64	(-)5197.92	(-)9.38
2020-21	59,097.97	1710.47	518.63	61,327.07	(-)6719.17	(-)10.96
2021-22	60,530.54	1712.29	518.63	62,761.46	(-)211.78	(-)0.34
2022-23	68,981.41	1725.63	518.33	71,225.37	(-)8112.18	(-)11.39

Appendix 5.8

Rate of Real Return on the basis of the Present Value of Investment

(Reference to paragraph 5.9.1.3 (B); page 168)

Financial	Opening Balance of Present Value of Investment	Investment on Interest	historical co Free Loans	Investment on historical cost basis in the form of l Interest Free Loans and Grants, Subsidies (₹ in crore)	orm of Equity, bsidies	Total Investment at the end of the year (₹ in crore)	Average rate of interest on government borrowings (in %)	Minimum expected return to recover cost of funds for the year (₹ in crore)	Present value of total investment at the end of the year (₹ in crore)	Total Earnings/ Losses for the year (₹ in crore)	Rate of Real Return on the basis of PV of Investment
	(< in crore)	Equity	Interest Free Loans	Subsidies/ Grants	Total						
1	2	3	4	w	(6) = (3+4+5)	7 = (2+6)	80	9 = (7*8)/100	10 = (7+9)	11	12
					Powe	Power Sector SPSUs					
2014-15	•	8,625.20	1	3,631.62	12,256.82	12,256.82	7.00	857.98	13,114.80	(-)1,905.38	(-)14.53
2015-16	13,114.80	523.59	ı	4,101.87	4,625.46	17,740.26	8.50	1,507.92	19,248.18	(-)2,319.77	(-)12.05
2016-17	19,248.18	2,262.61	1	4,537.09	6,799.70	26,047.88	7.40	1,927.54	27,975.42	(-)5,408.40	(-)19.33
2017-18	27,975.42	5,344.45	ı	4,493.13	9,837.58	37,813.00	7.21	2,726.32	40,539.32	(-)3,926.81	69.6(-)
2018-19	40,539.32	7,276.83	ı	5,461.76	12,738.59	53,277.91	6.94	3,697.49	56,975.40	(-)5,831.07	(-)10.23
2019-20	56,975.40	2,000.00	1	4,846.28	6,846.28	63,821.68	02.9	4,276.05	68,097.73	(-)4,681.39	(-)9.87
2020-21	68,097.73	1.95	1	5,755.25	5,757.20	73,854.93	09'9	4,874.43	78,729.35	(-)5,970.01	(-)7.58
2021-22	78,729.35	1	1	1,429.34	1,429.34	80,158.69	6:39	5,122.14	85,280.83	878.80	1.03
2022-23	85,280.83	ı	20.56	8,342.82	8,363.38	93,644.21	6.57	6,152.42	99,796.64	(-)7,297.69	(-)7.31
					Non-Po	Non-Power Sector SPSUs	Sí				
2014-15	1	34.09	1	19.12	53.21	53.21	7.00	3.72	56.93	(-)3.62	(-)6.36
2015-16	56.93	0.30	1	103.44	103.74	160.67	8.50	13.66	174.33	(-)122.15	(-)70.07
2016-17	174.33	ı	1	126.18	126.18	300.51	7.40	22.24	322.75	15.07	4.67

Financial	Opening Balance of Present Value of Investment	Investment on I Interest	historical co Free Loans	Investment on historical cost basis in the form of I Interest Free Loans and Grants, Subsidies (₹ in crore)	orm of Equity, bsidies	Total Investment at the end of the year (₹ in crore)	Average rate of interest on government borrowings (in %)	Minimum expected return to recover cost of funds for the year (₹ in crore)	Present value of total investment at the end of the year (₹ in crore)	Total Earnings/ Losses for the year (₹ in crore)	Rate of Real Return on the basis of PV of Investment
	(< in crore)	Equity	Interest Free Loans	Subsidies/ Grants	Total						
1	2	e	4	v	(6) = (3+4+5)	7 = (2+6)	∞	9 = (7*8)/100	10 = (7+9)	11	12
2017-18	322.75	3.50	1	391.33	394.83	717.58	7.21	51.74	769.32	(-)137.44	(-)17.87
2018-19	769.32	4.58	1	952.86	957.44	1,726.76	6.94	119.84	1,846.59	(-)321.65	(-)17.42
2019-20	1,846.59	2.50	1	655.31	657.81	2,504.40	02.9	167.80	2,672.20	(-)516.53	(-)19.33
2020-21	2,672.20	(-)0.03	1	172.26	172.23	2,844.43	09'9	187.73	3,032.16	(-)749.16	(-)24.71
2021-22	3,032.16	0.55	1	4.50	5.05	3,037.21	6:39	194.08	3,231.29	(-)1,090.58	(-)33.75
2022-23	3,231.29	(-)0.72	1	101.25	100.53	3,331.82	6.57	218.90	3,550.72	(-)814.49	(-)22.94
						Total					
2014-15	1	8,659.29	ı	3,650.74	12,310.03	12,310.03	7.00	861.70	13,171.73	(-)1,909.00	(-)14.49
2015-16	13,114.80	523.89	1	4,205.31	4,729.20	17,844.00	8.50	1,516.74	19,360.74	(-)2,441.92	(-)12.61
2016-17	19,360.74	2,262.61	1	4,663.27	6,925.88	26,286.62	7.40	1,945.21	28,231.83	(-)5,393.33	(-)19.10
2017-18	28,231.83	5,347.95	1	4,884.46	10,232.41	38,464.24	7.21	2,773.27	41,237.51	(-)4,064.25	98.6(-)
2018-19	41,237.51	7,281.41	1	6,414.62	13,696.03	54,933.54	6.94	3,812.39	58,745.93	(-)6,152.72	(-)10.47
2019-20	58,745.93	2,002.50	1	5,501.59	7,504.09	66,250.02	02.9	4,438.75	70,688.77	(-)5,197.92	(-)7.35
2020-21	70,688.77	1.92	1	5,927.51	5,929.43	76,618.20	09'9	5,056.80	81,675.00	(-)6,719.17	(-)8.23
2021-22	81,675.00	0.55	1	1,433.84	1,434.39	83,109.39	6:39	5,310.69	88,420.08	(-)211.78	(-)0.24
2022-23	88,420.08	(-)0.72	20.56	8,444.07	8,463.91	96,883.99	6.57	6,365.28	1,03,249.27	(-)8,112.18	(-)7.86
Total		26,079.40	20.56	45,125.41	71,225.37						

Appendix 5.9

Statement showing list of SPSUs where Statutory Auditor's Report was revised

(Reference to paragraph 5.14.3; page 172)

S. No.	Name of the SPSU	Year of Accounts
	Power Sector SPSUs	
1	Northern Power Distribution Company of Telangana Limited	2022-23
	Non-Power Sector SPSUs	
2	Telangana State Industrial Development Corporation Limited	2015-16
3	Hyderabad Growth Corridor Limited	2020-21
4	Fab City SPV (India) Private Limited	2018-19
5	Telangana State Trade Promotion Corporation Limited	2018-19
6	Telangana State Horticulture Development Corporation Limited	2021-22
7	Telangana State Irrigation Development Corporation Limited	2020-21
8	Telangana State Leather Industries Promotion Corporation Limited	2016-17
9	Telangana State Industrial Infrastructure Corporation Limited	2017-18
10	Maheswaran Science Park Limited	2018-19
11	Telangana Drinking Water Supply Corporation Limited	2019-20
12	Telangana State Film Development Corporation Limited	2021-22
13	Telangana Industrial Health Clinic Limited	2021-22
14	Telangana State Water Resources Infrastructure Development Corporation Limited	2020-21
15	Kaleshwaram Irrigation Project Corporation Limited	2020-21
16	Telangana State Warehousing Corporation	2015-16
17	Telangana State Mineral Development Corporation Limited	2020-21
18	Telangana State Forest Development Corporation Limited	2019-20
19	Telangana Fiber Grid Corporation Limited	2020-21
20	Telangana State Seeds Development Corporation Limited	2021-22

Appendix 5.10
Statement showing list of SPSUs where accounts comments were issued by the CAG
(Reference to paragraph 5.14.4; page 172)

Sl. No.	Name of the Company	Year of Account
	Power Sector SPSUs	
1	Telangana State Power Generation Corporation Limited	2021-22
2	Transmission Corporation of Telangana Limited	2021-22
3	Northern Power Distribution Company of Telangana Limited	2022-23
4	Southern Power Distribution Company of Telangana Limited	2022-23
5	Telangana State Power Generation Corporation Limited	2022-23
6	The Singareni Collieries Company Limited	2022-23
	Non-Power Sector SPSUs	
7	Telangana State Civil Supplies Corporation Limited	2016-17
8	Telangana State Civil Supplies Corporation Limited	2017-18
9	Telangana State Police Housing Corporation Limited	2019-20
10	Telangana State Police Housing Corporation Limited	2020-21
11	Telangana Life Sciences Infrastructure Development Limited	2018-19
12	Hyderabad Growth Corridor Limited	2018-19
13	Hyderabad Growth Corridor Limited	2019-20
14	Hyderabad Growth Corridor Limited	2020-21
15	Hyderabad Growth Corridor Limited	2021-22
16	Hyderabad Metro Rail Limited	2016-17
17	Telangana State Minorities Finance Corporation	2019-20
18	Telangana State Minorities Finance Corporation	2020-21
19	Fab City SPV (India) Private Limited	2018-19
20	The Nizam Sugars Limited	2021-22
21	Telangana State Horticulture Development Corporation Limited	2021-22
22	Telangana State Industrial Infrastructure Corporation Limited	2017-18
23	Telangana State Industrial Infrastructure Corporation Limited	2018-19
24	Maheswaram Science Park Limited	2018-19
25	Telangana Drinking Water Supply Corporation Limited	2019-20
26	E-city Manufacturing Cluster Limited	2018-19
27	Kaleshwaram Irrigation Project Corporation Limited	2020-21
28	Telangana State Warehousing Corporation	2015-16
29	Telangana State Warehousing Corporation	2016-17
30	Telangana State Tourism Development Corporation Limited	2016-17
31	Telangana Fiber Grid Corporation Limited	2020-21
32	Zaheerabad NIMZ Limited	2018-19
33	Telangana State Seeds Development Corporation Limited	2021-22
34	Telangana Urban Finance Infrastructure Development Corporation Limited	2018-19
35	Telangana Urban Finance Infrastructure Development Corporation Limited	2019-20

Appendix 5.11

Statement showing list of SPSUs which did not comply with Accounting Standards/ Indian Accounting Standards as reported by Statutory Auditor

(Reference to paragraph 5.15; page 178)

Sl. No.	Name of the SPSU	Year of Accounts	Number of Accounting Standard/ Ind AS
	Powe	er Sector SPSU	s
1	Telangana State Power Generation Corporation Limited	2021-22	Ind AS 24, Ind AS 105 and Ind AS 109
2	Transmission Corporation of Telangana Limited	2021-22	Ind AS 08, Ind AS 12 and Ind AS 109
3	Northern Power Distribution Company of Telangana Limited	2022-23	AS 10, AS 13, AS 16 and AS 28
4	Southern Power Distribution Company of Telangana Limited	2022-23	AS 12 and AS 13
5	Telangana State Power Generation Corporation Limited	2022-23	Ind AS 109
	Non-Po	wer Sector SPS	SUs
6	Telangana Life Sciences Infrastructure Development Limited	2018-19	Ind AS 22
7	Telangana State Trade Promotion Corporation Limited	2018-19	AS 15
8	Telangana State Trade Promotion Corporation Limited	2019-20	AS 15
9	Telangana State Industrial Infrastructure Corporation Limited	2017-18	Ind AS 2, Ind AS 109 and 113
10	Telangana State Industrial Infrastructure Corporation Limited	2018-19	Ind AS 2, Ind AS 113, Ind As 109 and Ind AS 19
11	Telangana State Film Development Corporation Limited	2021-22	AS 12

Appendix 5.12
Statement showing list of SPSUs where Management Letters were issued
(Reference to paragraph 5.16; page 179)

Sl. No.	Name of the Company	Year of Account
	Power Sector SPSUs	
1	Northern Power Distribution Company of Telangana Limited	2021-22
2	Southern Power Distribution Company of Telangana Limited	2021-22
3	Telangana State Power Generation Corporation Limited	2021-22
4	Transmission Corporation of Telangana Limited	2021-22
5	The Singareni Collieries Company Limited	2021-22
6	The Singareni Colleries Company Limited	2022-23
	Non-Power Sector SPSUs	
7	Telangana State Civil Supplies Corporation Limited	2016-17
8	Telangana State Police Housing Corporation Limited	2019-20
9	Telangana State Police Housing Corporation Limited	2020-21
10	Hyderabad Growth Corridor Limited	2018-19
11	Hyderabad Growth Corridor Limited	2019-20
12	Hyderabad Growth Corridor Limited	2020-21
13	Hyderabad Growth Corridor Limited	2021-22
14	Hyderabad Metro Rail Limited	2016-17
15	Telangana State Minorities Finance Corporation	2019-20
16	Fab City SPV (India) Private Limited	2018-19
17	Telangana State Technology Services Limited	2021-22
18	Telangana State Trade Promotion Corporation Limited	2018-19
19	The Nizam Sugars Limited	2021-22
20	Telangana State Industrial Infrastructure Corporation Limited	2017-18
21	Telangana State Industrial Infrastructure Corporation Limited	2018-19
22	Telangana State Drinking Water Supply Corp Limited	2019-20
23	E-city Manufacturing Cluster Limited	2018-19
24	Telangana State Film Development Corporation Limited	2021-22
25	Kaleshwaram Irrigation Project Corporation Limited	2020-21
26	Telangana State Warehousing Corporation	2015-16
27	Telangana State Tourism Development Corporation Limited	2016-17
28	Telangana State Fiber Grid Corporation Limited	2020-21
29	Telangana State Seeds Development Corporation Limited	2021-22
30	Telangana Urban Finance Infrastructure Development Corporation Limited	2018-19
31	Telangana Urban Finance Infrastructure Development Corporation Limited	2019-20

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