

Report of the Comptroller and Auditor General of India

State Finances Audit Report

for the year ended 31 March 2020



लोकहितार्थ सत्यनिष्टा Dedicated to Truth in Public Interest



Government of Telangana

Report No. 1 of 2021

Report of the Comptroller and Auditor General of India

State Finances Audit Report for the year ended 31 March 2020

Government of Telangana *Report No. 1 of 2021*

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Preface

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

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

Chapters 2 and **3** of the Report contain audit findings on matters arising from an examination of Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2020. Information has been obtained from Government of Telangana, wherever necessary.

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

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

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

Executive Summary

Executive Summary

1 The Report

Based on the audited accounts of the Government of Telangana State for the year ended March 2020, this Report provides an analytical review of the finances of the State Government.

2 Audit Findings

2.1 Fiscal position

The State could not achieve Revenue Surplus during 2019-20 for the first time in five years. The other key fiscal targets prescribed by the TSFRBM Act relating to Fiscal Deficit and ratio of total outstanding debt to GSDP of the State were achieved during the year. About 97 per cent of Fiscal deficit was financed through market borrowings. Although the outstanding liabilities were within the targets of the revised TSFRBM Act, these would be way above the targets, if the liabilities of the State Government with regard to its Off-Budget Borrowings are taken into account. The liabilities of the State have been increasing year-on-year, and over 75 per cent of the borrowings during the year 2019-20 were utilised to repay the debt pertaining to earlier years, affecting the asset creation in the State.

(Chapter 1)

2.2 Finances of the State

Revenue receipts of the State increased marginally by ₹1,124 crore (1.11 per cent) while revenue expenditure increased by ₹11,715 crore (12.07 per cent) during the year 2019-20 over the previous year. Committed expenditure on interest payments increased by ₹1,800 crore (14.30 per cent) over the previous year. At 14.03 per cent, interest payments relative to Revenue Receipts were higher than the target of 8.39 per cent fixed by XIV Finance Commission.

During 2019-20, the State continued to spend less on Education and Health as a proportion of its aggregate expenditure vis-à-vis the other General Category States.

State Government did not bestow required attention to asset creation during the year and capital expenditure dipped in comparison to the preceding year. Huge capital was blocked due to delays in completion of irrigation projects.

State Government has not discharged its commitment of ₹4,063.65 crore for taking over losses of DISCOMs under the UDAY scheme as of end of March 2020, as agreed in the tripartite agreement with GoI and the DISCOMs. The current commitments stand

postponed to future years besides non-achievement of objective of financial turnaround of DISCOMS as envisaged under UDAY scheme.

Outstanding Public debt at the end of the year has increased by 18.04 per cent over the preceding year. In fact, its growth rate was higher than that of GSDP, which grew at 12.61 per cent. Nearly half of the total outstanding Public Debt (46 per cent) is to be repaid over the next seven years, indicating the need for the State to augment its resources to meet the repayment burden. State Government has also a liability for Off-Budget Borrowings of ₹71,131.63 crore to the end of March 2020 (₹16,077.04 crore during the year 2019-20) taken by various entities on its behalf, which it has not disclosed appropriately as part of its budget documents. This has the impact of diluting public financial management and oversight role of the Legislature and placing major sources of funding of Government's crucial socio-economic projects beyond the control of the Legislature.

(Chapter 2)

2.3 Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2019-20 and control over the execution and monitoring of budget was inadequate. Supplementary Grants/Appropriations were obtained without adequate justification and in some cases, despite the Legislature not approving supplementary provision, expenditure was incurred. Savings were neither surrendered on time nor were explanations provided to the Accountant General (A&E) for variations in expenditure vis-à-vis allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

State Government has persistently been incurring excess expenditure over authorisation during the last few years, which is a cause for concern. While excess expenditure of ₹84,650.99 crore incurred during the last five years was yet to be regularized by the Legislature, ₹2,084.03 crore was incurred during 2019-20 without budgetary provision, which undermines the authority of State Legislature.

Utilisation of budgetary provision under four socio-economic Grants was less than 50 per cent of the allocation during the period 2016-19, which affected socio-economic development in the State.

Due diligence was not carried out for drawl of advances from Contingency Fund. These advances were not also fully utilised for the intended purpose; nor were these fully recouped within the financial year.

(Chapter 3)

2.4 Quality of Accounts and Financial Reporting Practices

Funds pertaining to State Compensatory Afforestation Fund (SCAF), which should have been maintained in Public Account, were parked in banks in violation of the Rules governing the accounting and maintenance of such funds. Government did not discharge its interest liability over the funds lying in State Disaster Response Fund.

Operation of PD accounts lacked transparency and contrary to Government instructions, substantial funds from PD accounts were transferred to bank accounts and taken out of the Government accounts, and consequently, out of oversight of Legislature.

Indiscriminate operation of omnibus Minor Head 800 – Other Receipts and Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure. Non-submission of UCs and DCC bills by Departments for funds drawn for specific developmental programmes/ projects was violative of prescribed financial rules and directives and point to inadequate internal controls and deficient monitoring mechanism of the State Government.

Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

Delay in submission of Annual Accounts by Government companies and Autonomous Bodies dilutes accountability and impacts the purpose of preparation of accounts. The State Government is yet to comply with Indian Government Accounting Standards.

(Chapter 4)

Chapter 1 Overview

Chapter 1 Overview

1.1 Profile of the State

The State of Telangana came into existence on 2 June 2014 consequent to the bifurcation of the erstwhile composite State of Andhra Pradesh. It is the 12th largest State in the country in terms of both area (1,12,077 square kilometres) as well as population (3.51 crore as per Census 2011). The per capita income of the State at current prices was ₹2,28,216 in 2019-20, which was higher than the all India average of ₹1,34,432.

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

1.1.1 Gross State Domestic Product of Telangana

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important economic indicator denoting the extent of changes in the level of economic development over a period of time. Changes in sectoral contribution to the GSDP represent the changing structure of the State economy. Trends in annual growth of State's GSDP¹ *vis-à-vis* Gross Domestic Product (GDP)² of the country are given in *Table 1.1*.

	0				
Year	2015-16	2016-17 (TRE)	2017-18 (SRE)	2018-19 (FRE)	2019-20 (AE)
National GDP (2011-12 Series) (₹ in crore)	1,37,71,874	1,53,91,669	1,70,98,304	1,89,71,237	2,03,39,849
Growth rate of GDP over previous year (in <i>per cent</i>)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series) (₹ in crore)	5,77,902	6,58,325	7,53,127	8,61,031	9,69,604
Growth rate of GSDP over previous year (in <i>per cent</i>)	14.24	13.92	14.40	14.33	12.61

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

Source of data: Ministry of Statistics and Programme Implementation

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

The GSDP of Telangana grew at a higher rate than the GDP of the country during the period 2015-16 to 2019-20. However, during the year 2019-20, it registered the lowest growth rate in five years due to general economic slowdown in India and rest of the world.

The GSDP generated from economic activities is generally classified into Primary³, Secondary⁴ and Tertiary⁵ Sectors, broadly corresponding to Agriculture, Industry and

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

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

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

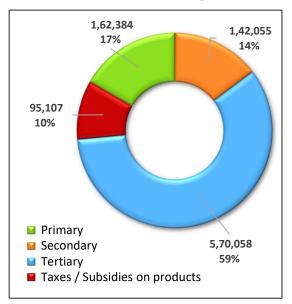
Tertiary Sector is Services sector and includes Trade and Repair services, Hotels and Restaurants, Transport, Storage, Communication Services, Financial services, Real Estate, ownership of dwellings etc

Services respectively. The sectoral contribution to GDP and GSDP of the State during 2019-20 are given in *Charts 1.1 and 1.2*.

Chart 1.1: Sector-wise GDP for the year 2019-20 (₹ in crore and in *per cent*)

32,57,443
16%
19,96,612
10%
Primary
Secondary
Tertiary
Taxes / Subsidies on products

Chart 1.2: Sector-wise GSDP for the year 2019-20 (₹ in crore and in *per cent*)



Source: Socio Economic Outlook 2020

While the proportionate contribution to GDP and GSDP from Primary Sector (Agriculture) and Taxes / Subsidies on products was almost similar, in the case of the State, the Tertiary (Services) sector was the highest contributor to the GSDP, unlike the country, where the Secondary sector (Industries) contributed a fourth of the GDP.

The major share of Tertiary sector in the GSDP of the State was on account of contribution from 'Real Estate, ownership of dwellings and professional services' which forms 20.05 *per cent* of GSDP. Under Primary sector, the major share was from 'Livestock' and 'Crops' which contributed 6.85 *per cent* and 6.25 *per cent* of GSDP respectively. Under Secondary sector, 'Manufacturing' contributed 9.54 *per cent* of GSDP.

Change in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The change in sectoral contribution to GSDP for the period 2015-20 is shown in *Chart 1.3*.

57.04 60.00 45.00 in per cent 30.00 18.66 16.75 16.06 14.65 15.00 9.81 8.23 0.00 **Taxes and Subsidies Primary** Secondary **Tertiary** on Products **2015-16 2019-20**

Chart 1.3: Changes in sectoral contribution to GSDP (2015-16 to 2019-20)

Source: Socio Economic Outlook 2020

There was a marginal increase in the share of Primary sector in GSDP in 2019-20 as compared to 16.06 *per cent* in 2015-16. This was mainly due to increase in the share of 'Livestock' (1.2 *percentage* points). The share of Secondary Sector in 2019-20 was considerably less by nearly four *percentage* points when compared to 2015-16 as shown in *Chart 1.3*. The share of Tertiary (i.e., Services) sector increased marginally in 2019-20 *vis-à-vis* its share in 2015-16. This was mainly on account of increase in 'Trade, Repair, Hotels and Restaurants services' by 2.20 *percentage* points during 2015-20.

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

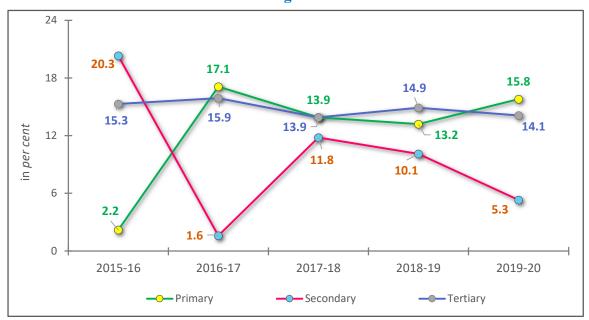


Chart 1.4: Sectoral growth trends of GSDP

Source: Socio Economic Outlook 2020

Component-wise trend of Secondary Sector is shown in *Chart 1.5*.

50.00 44.00 40.00 30.30 30.00 17.50 17.30 20.00 13.80 10.10 10,00 3.90 5.90 10.00 2.50 8.00 7.90 0.30 3.50 0.00 2015-16 2016 2017-18 2018-19 2019-20 -10.00 -13.60 -20.00 ──Manufacturing — Electricity, Gas, Water Supply and other utility services — Construction

Chart 1.5: Component-wise trend of Secondary sector

Source: Socio Economic Outlook 2020

The decrease in Secondary Sector during 2019-20 compared to the previous year was primarily due to a dip in Manufacturing (decreased by 6.5 *percentage* points) and Electricity, Gas, Water Supply and other utility services (decreased by two *percentage* points).

1.2 Basis and approach to State Finances Audit Report

1.2.1 Preparation of Accounts of the State Government

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

1.2.2 Audit of Accounts and preparation of State Finances Audit Report

The audit of annual accounts of Telangana is independently conducted in accordance with the requirements of Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for expressing an opinion on these Accounts based on the results of such audit. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. The reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of

the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Telangana for the year ending 31 March 2020 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 2019-20 constitute the core data for the State Finances Audit Report (SFAR). Other sources include the following:

- Telangana State Fiscal Responsibility and Budget Management (TSFRBM) Act;
- Gross State Domestic Product (GSDP) and other State related statistics from Ministry of Statistics and Programme Implementation (MoSPI);
- 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
- Results of audit carried out by the office of the Accountant General (Audit).

An Entry Conference was held in December 2020 with the Principal Secretary to Government, Finance Department (PFS) and other senior Officers wherein the audit approach was explained. Draft SFAR was forwarded to the Government in February 2021 for their responses. An Exit Conference was held with the PFS in March 2021 and key issues of draft SFAR were discussed. The responses of the Government, both written as well as those expressed during the Exit Conference, have been considered and included in the Report, at appropriate places.

1.3 Structure of State Finances Audit Report

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

Table 1.2: Structure of State Finances Audit Report

Chapter - 1 Overview	This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government Accounts, Budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the Deficits / Surplus.				
Chapter - 2 Finances of the State	This Chapter is based on Finance Accounts of the State. It provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to preceding year(s), overall trends during the period from 2015-16 to 2019-20, Debt profile of the State and key Public Account transactions.				
Chapter - 3 Budgetary Management	This Chapter is based on Appropriation Accounts of the State. It reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.				

Chapter - 4
Quality of Accounting
and Financial
Reporting Practices

This Chapter reports on the Quality of Accounts rendered by various authorities of the State Government. It also reviews various issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Accounts Structure

The Accounts of the Government are kept in three Parts:

1. Consolidated Fund of the State

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

2. Contingency Fund of the State

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

3. Public Account of the State

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

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

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

Revenue Expenditure consists of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the

normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

Capital Receipts consist of:

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

Non-debt receipts: Proceeds from disinvestment, Recoveries of Loans and Advances; Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and Loans and Advances by the Government to PSUs and other parties. The accounting classification system in the Government is both functional and economic.

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

Table 1.3: 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 a number of schemes or activities and these generally correspond to 'Sub-Heads' below the Minor Head. 'Detailed Head' below the Sub-Head, is primarily meant for itemised control over expenditure and indicates the object or nature of expenditure on a scheme or activity in terms of inputs such as 'Salaries', 'Office Expenses', 'Grants-in-Aid', *etc.*

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

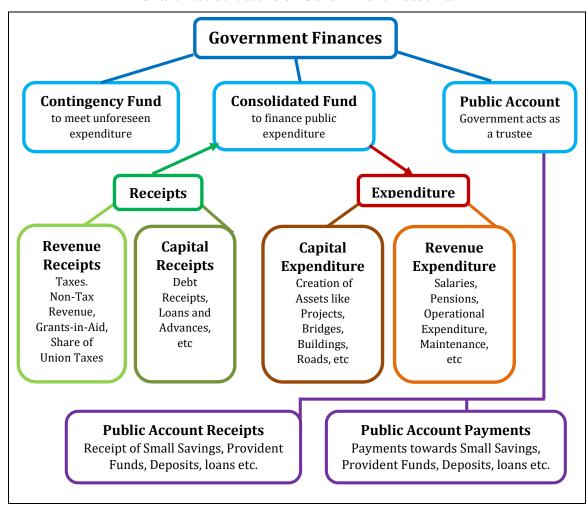


Chart 1.6: Structure of Government Accounts

Source: Finance Accounts

1.5 Budgetary Process

In terms of Article 202 of the Constitution of India, the Governor of Telangana caused to be laid before the State Legislature, a statement of the estimated Receipts and Expenditure of the State for the year 2019-20, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. The Budget Manual details the process of budget preparation, budget execution and budget monitoring.

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

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

Outcome / Performance Budget: 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 or services rendered or results accomplished under each programme and activity.

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

1.5.1 Snapshot of Finances

Table 1.4 provides the details of actual financial results vis-à-vis Budget Estimates (BE) for the year 2019-20 in comparison to actuals for the year 2018-19. Time series data of Government Finances for the years 2015-20 are given in **Appendix 1.2**.

Sl. No.	Components	2018-19 Actuals (₹ in crore)	2019-20 Budget Estimates (BE) (₹ in crore)	2019-20 Actuals (₹ in crore)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1	Tax Revenue	64,674	69,329	67,597	97.50	6.97
2	Non-Tax Revenue	10,007	15,875	7,360	46.36	0.76
3	Share of Union taxes/duties ^(a)	18,561	19,718	15,988	81.08	1.65
4	Grants-in-Aid and Contributions	8,178	8,178	11,599	141.83	1.20
5	Revenue Receipts (1+2+3+4)	1,01,420	1,13,100	1,02,544	90.66	10.58
6	Recovery of Loans and Advances	66	45	62	137.78	0.01
7	Other Receipts					
8	Borrowings and other Liabilities ^(b)	26,949	24,082	31,759	131.88	3.27
9	Capital Receipts (6+7+8)	27,015	24,127	31,821	131.89	3.28
10	Total Receipts (5+9)	1,28,435	1,37,227	1,34,365	97.91	13.86
11	Revenue Expenditure	97,083	1,11,056	1,08,798	97.97	11.22
12	Interest payments	12,586	14,575	14,386	98.70	1.48
13	Capital Expenditure(c)	31,352	26,171	25,567	97.69	2.64

Table 1.4: Snapshot of Finances

Sl. No.	Components	2018-19 Actuals (₹ in crore)	2019-20 Budget Estimates (BE) (₹ in crore)	2019-20 Actuals (₹ in crore)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
14	Capital outlay	22,641	17,275	16,859	97.59	1.74
15	Loan and advances	8,706	8,896	8,700	97.80	0.90
16	Inter-State Settlements	5		8		
17	Total Expenditure (11+13)	1,28,435	1,37,227	1,34,365	97.91	13.86
18	Revenue Surplus (+) / Deficit (-) (5-11)	4,337	2,044	(-)6,254	(-)305.97	(-)0.65
19	Fiscal Deficit {(5+6+7)-17}	(-)26,949	(-)24,082	(-)31,759	131.88	(-)3.27
20	Primary Deficit (19-12)	(-)14,363	(-)9,507	(-)17,373	182.74	(-)1.79

Source: Finance Accounts

1.5.2 Snapshot of Assets and Liabilities of the Government

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

Table 1.5: Summarised position of Assets and Liabilities

(₹ in crore)

	Li	abilities			Assets				
		2018-19	2019-20	per cent increase			2018-19	2019- 20	per cent increase
Consolidated Fund									
A	Internal Debt	1,56,934	1,86,959	19.13	a	Gross Capital Outlay	1,01,876	1,18,735	16.55
В	Loans and Advances from GoI	8,231	7,999	(-)2.82	b	Loans and Advances	24,509	33,147	35.24
Co	ntingency Fund	50	50	0			2	4	100
Pu	blic Account								
A	Small Savings, Provident Funds, etc.	10,116	10,900	7.75	a	Advances	(-)23	(-)23	0
В	Deposits	19,714	21,121	7.14	b	Remittance			
С	Reserve Funds	7,688	12,041	56.62	c	Suspense and Miscellaneous			
D	Remittances	131	138	5.34	Cash Balance (including investment in Earmarked Fund)		7,218	12,096	67.58
Е	Suspense and Miscellaneous Balances	201	498	147.76	Total		1,33,582	1,63,959	22.74
						eficit in evenue Account	69,483	75,747	9.02
	Total	2,03,065	2,39,706	18.04		Total	2,03,065	2,39,706	18.04

Source: Finance Accounts

⁽a) Includes State's share of Union Taxes

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

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

1.6 Fiscal Balance: Achievement of Deficit and total Debt targets

To ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit, reduction in Fiscal Deficit, prudent debt management, the State Government (erstwhile composite Andhra Pradesh) enacted the Andhra Pradesh Fiscal Responsibility and Budget Management Act, 2005⁶. The Act prescribes fiscal targets for giving effect to the fiscal management objectives.

1.6.1 Telangana State FRBM targets on key fiscal parameters and achievement thereon

Targets relating to key fiscal parameters as per TSFRBM Act during the five-year period 2015-16 to 2019-20 and their achievement is shown in *Table 1.6*.

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

Fiscal Parameters	Fiscal targets set in	Achievement (₹ in crore)					
riscal rarameters	the Act	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenue Deficit (-)	Revenue Surplus to be	238	1,386	3,459	4,337	(-)6,254	
/ Surplus (+) (₹ in crore)	achieved during each year	✓	>	>	✓	X	
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	For the years 2015-18: 3.5 per cent	(-)3.26 per cent	(-)5.36 per cent	(-)3.54 per cent	(-)3.13 per cent)	(-)3.13 per cent + ₹1,435 crore	
	For the year 2018-19: 3.25 per cent For the year 2019-20: 3.25 per cent + ₹1,435 crore*	√	X	X	√	√	
Ratio of Total Outstanding Liabilities ⁷ to GSDP (in per cent)		16.95	20.47	22.02	22.87	23.95	
	25 per cent	✓	>	>	✓	✓	

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

• The State could not achieve a Revenue Surplus during 2019-20 for the first time since its formation in June 2014 due to an increase of 12.07 *per cent* in Revenue Expenditure while the increase in Revenue Receipts at 1.11 *per cent* was marginal.

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

as amended in 2010, 2011 and adapted by Government of Telangana in 2016; subsequently amended in 2020

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

- The targeted ratio of Fiscal Deficit to GSDP was achieved during 2019-20 due to the one-time special dispensation accorded by the GoI.
- The State achieved the target in respect of ratio of total outstanding debt to GSDP every year during the period 2015-16 to 2019-20.

However, achievement of the above targets as depicted in the accounts have to be seen in the context of certain mis-classifications in accounts of the State Government as brought out in the State Finances Audit Reports of the Comptroller and Auditor General of India for the years concerned⁸.

1.6.2 Achievement of projections made in Medium Term Fiscal Policy Statement

As per the TSFRBM Act, the State Government shall in each financial year, lay before the State Legislature a Medium Term Fiscal Policy (MTFP) Statement, which contains the fiscal objectives of the State Government and five-year rolling targets, along with the Budget.

Table 1.7: Actuals vis-à-vis projections in MTFP for 2019-20

(₹ in crore)

Sl. No.	Fiscal Variables	Projections as per MTFP	Actuals (2019-20)	Variation (in <i>per cent</i>)
1	Own Tax Revenue	71,327	67,597	(-)5.23
2	Non-Tax Revenue	12,275	7,360	(-)40.04
3	Share of Central Taxes	15,988	15,988	0
4	Grants-in-Aid from GoI	11,338	11,599	2.30
5	Revenue Receipts (1+2+3+4)	1,10,928	1,02,544	(-)7.56
6	Revenue Expenditure	1,10,825	1,08,798	(-)1.83
7	Revenue Deficit (-)/ Surplus (+) (5-6)	103	(-)6,254	(-)6,171.84
8	Fiscal Deficit (-)/ Surplus (+)	(-)21,913	(-)31,759	44.93
9	Debt-GSDP ratio (per cent)	20.55	23.9	16.30
10	GSDP growth rate at current prices (per cent)	12.6	12.6	0

Source: Finance Accounts and Statement of Fiscal Policy

The performance of the State vis-à-vis targets projected in MTFP statement in respect of Non-Tax Revenue, Revenue Surplus, Fiscal Deficit and Debt / GSDP ratio is not encouraging.

⁸ previous year(s) SFAR can be accessed at https://cag.gov.in/ag/telangana

1.6.3 Trends of Deficit / Surplus

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

10,000 4,337 3,459 5,000 1,386 238 2017-18 2018-19 2015-16 2016-17 2019-20 -5,000 -6,254 -10,000 ₹ in crore 11,298 -15,000 14,363 15,864 -20,000 17,373 -18,856 -25,000 -30,000 26,672 -26,700 -26,949 -31,759 -35,000 -35,281 -40,000 ■ Revenue Surplus/Deficit ■ Primary Deficit ■ Fiscal Deficit

Chart 1.7: Trends of Surplus / Deficit parameters

Source: Finance Accounts

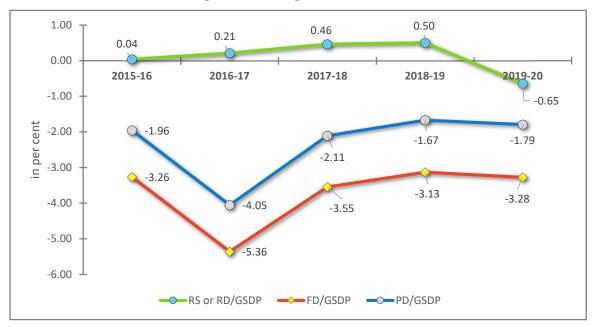


Chart 1.8: Surplus / Deficit parameters relative to GSDP

Source: Finance Accounts

The State registered a Revenue Deficit of ₹6,254 crore during 2019-20 in comparison to Revenue Surplus of ₹4,337 crore in the preceding year. On the other hand, both Fiscal Deficit (₹31,759 crore) and Primary Deficit (₹17,373 crore) in the current year increased in comparison to the preceding year.

The trend of fiscal liabilities during the five year period 2015-16 to 2019-20 is shown in *Chart 1.9*.

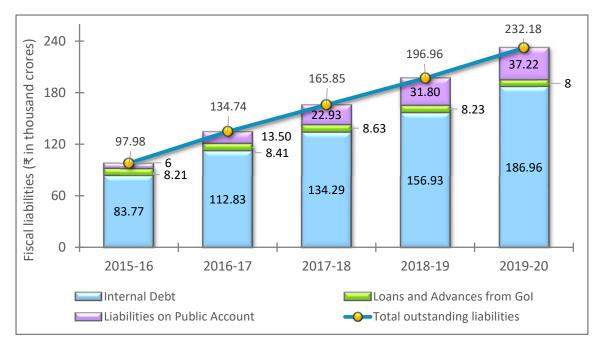


Chart 1.9: Trend of Fiscal Liabilities

Source: Finance Accounts

Internal Debt and Liabilities on Public Account have been increasing, while Loans and Advances from GoI have remained almost constant over the years.

1.7 Deficits and Total Debt after examination in Audit

1.7.1 Deficits after examination in Audit

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

Table 1.8: Revenue and Fiscal Deficits after examination in Audit

(₹ in crore)

Particulars	Impact on Revenue Deficit (Understated (+) / overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)	Para Reference
Non discharge of Interest liabilities on State Disaster Response Fund (SDRF)	22.62	22.62	4.3
Short contribution to National Pension System (NPS)	7.48	7.48	2.5.2.3
Misclassification			
(i) Revenue expenditure classified as Capital ⁹	310.28		3.4.8.1, 3.4.8.2 and 3.4.8.4
(ii) Capital expenditure classified as Revenue ¹⁰	(-)49.56		3.4.8.5
Total	291.14	30.10	

Source: Finance Accounts and audit analysis

As a result, the Revenue and Fiscal Deficits were understated by ₹291.14 crore and ₹30.10 crore respectively.

Effectively, therefore, there was a Revenue Deficit of $\stackrel{?}{\underset{?}{?}}$ 6,545 crore ($\stackrel{?}{\underset{?}{?}}$ 6,254 crore + $\stackrel{?}{\underset{?}{?}}$ 291.14 crore) and Fiscal Deficit of $\stackrel{?}{\underset{?}{?}}$ 31,789.10 ($\stackrel{?}{\underset{?}{?}}$ 31,759 crore + $\stackrel{?}{\underset{?}{?}}$ 30.10 crore). The effective Fiscal Deficit of the State was 3.13 *per cent*¹¹ of GSDP.

The Government replied (March 2021) that interest liabilities on SDRF could not be met on account of Covid-19. With regard to short contribution to National Pension System, it stated that there was no short contribution and it was only an amount that represents non-uploaded amount to NSDL due to variations in PRAN software. The Government, however, did not respond with regard to mis-classification of expenditure between 'Revenue' and 'Capital' sections.

Apart from its liabilities of ₹2,32,181 crore, the State Government is also liable to pay the principle and interest on account of its Off-Budget Borrowings (OBB) to an extent of ₹71,131.63 crore. Considering that the OBB and other liabilities are to be serviced out of the State Budget, the ratio of Debt / Total Liabilities to GSDP (25 per cent) as per TSFRBM Act would be higher by 6.29 per cent.

The Government stated (March 2021) that the OBB were being utilised fully for creation of assets and hence, if OBBs are considered for re-calculating the fiscal parameters of the State, the expenditure incurred through OBBs may be considered under the Capital Expenditure of the State. It was further stated that major projects like Mission Bhagiratha and Kaleshwaram Lift Irrigation were entrusted to Special Purpose Vehicles (SPVs) which

^{9 (}i) Treatment of payment of semi-annual interest on Andhra Pradesh Power Finance Corporation Bonds as loans: ₹287.35 crore (*paragraph 3.4.8.1*); (ii) Purchase of surgical consumables treated as Capital Expenditure: ₹17.07 crore (*paragraph 3.4.8.4*); (iii) Grants-in-Aid booked under Capital section instead of Revenue: ₹5.86 crore (*paragraph 3.4.8.2*)

 ⁽i) Treatment of Purchase of Vehicles: ₹23.12 crore; (ii) Treatment of Purchase of Machinery: ₹23.30 crore; (iii) Treatment of expenditure on Tools and Plants: ₹3.14 crore

¹¹ After excluding the onetime additional borrowing of ₹1,435 crore permitted by GoI

raised funds from Banks/financial institutions for implementation and they would explore possibilities to repay the loans from their own resources.

The Government also provides financial assistance to these entities in the form of loans depending on its Ways and Means position. During the year 2019-20, the State Government provided financial assistance of ₹6,557.26 crore from out of its budget (in the form of loans) for servicing debt of these entities.

Chapter 2 Finances of the State

2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in key fiscal aggregates relative to preceding years, overall trends during the five-year period 2015-16 to 2019-20, 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 2018-19

A bird's eye view of major changes in key fiscal aggregates of the State during 2019-20, compared to the preceding year is given in *Table 2.1*.

Table 2.1: Changes in key Fiscal Aggregates in 2019-20 compared to 2018-19

	> Revenue Receipts of the State increased by 1.11 per cent
	Own Tax receipts of the State increased by 4.52 per cent
Revenue Receipts	Own Non-tax receipts decreased by 26.45 per cent
	> State's Share of Union Taxes and Duties decreased by 13.86 per cent
	➤ Grants-in-Aid from Government of India increased by 41.83 per cent
	> Revenue Expenditure increased by 12.07 per cent
Revenue	> Revenue Expenditure on General Services increased by 6.56 per cent
Expenditure	➤ Revenue Expenditure on Social Services increased by 15.39 per cent
Expenditure	> Revenue Expenditure on Economic Services increased by 14.53 per cent
	Expenditure on Grants-in-Aid decreased by 100 per cent
	Capital Expenditure decreased by 25.54 per cent
Capital	Capital Expenditure on General Services decreased by 8.25 per cent
Expenditure	Capital Expenditure on Social Services decreased by 68.59 per cent
	> Capital Expenditure on Economic Services decreased by 11.45 per cent
Loans and	> Disbursement of Loans and Advances decreased by 0.07 per cent
Advances	> Recoveries of Loans and Advances decreased by 6.06 per cent
Public Debt	> Public Debt Receipts increased by 48.21 per cent
r ublic Debt	> Repayment of Public Debt increased by 59.28 per cent
Public Account	> Public Account Receipts decreased by 27.41 per cent
1 ubiic Account	> Disbursement of Public Account decreased by 30.40 per cent
Cash Balance	➤ Cash Balance increased by ₹ 4,878 crore (67.58 per cent) during 2019-20 compared to previous year

Source: Finance Accounts

2.3 Sources and Application of Funds

Comparison of the components of the sources and application of funds of the State during 2019-20 with those of the preceding year is shown in *Table 2.2*, while *Chart 2.1* and *Chart 2.2* give the details of receipts into and expenditure out of the Consolidated Fund of the State during 2019-20 in terms of *percentages*.

Table 2.2: Sources and Application of funds during 2018-19 and 2019-20

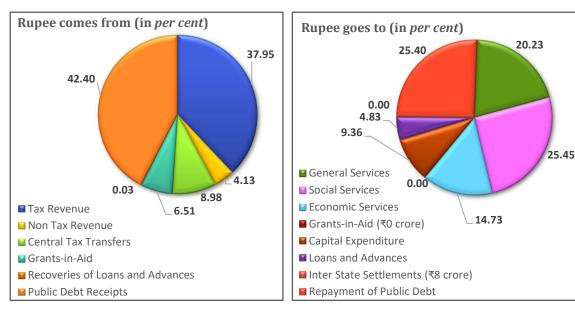
	Particulars	2018-19	2019-20	Increase / Decrease
	Opening Cash Balance with RBI	6,993	7,218	225
	Revenue Receipts	1,01,420	1,02,544	1,124
Saumaas	Recoveries of Loans and Advances	66	62	(-) 4
Sources	Public Debt Receipts (Net)	22,246	29,793	7,547
	Public Account Receipts (Net)	4,930	6,846	1,916
	Total	1,35,655	1,46,463	10,808
	Revenue Expenditure	97,083	1,08,798	11,715
	Capital Expenditure	22,641	16,859	(-) 5,782
	Disbursement of Loans and Advances	8,706	8,700	(-) 6
Application	Inter-State Settlement	5	8	3
	Net Contingency Fund	2	2	0
	Closing Cash Balance with RBI	7,218	12,096	4,878
	Total	1,35,655	1,46,463	10,808

Source: Finance Accounts

Closing cash balance with RBI consists of cash balance investments and investments in earmarked funds including Sinking Fund and Guarantee Redemption Fund.

Chart 2.1: Composition of Resources

Chart 2.2: Application of Resources

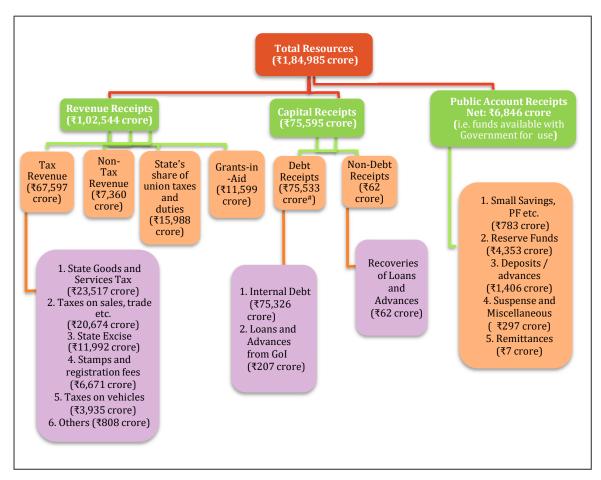


Source: Finance Accounts

2.4 Resources of the State

Chart 2.3 depicts the composition of resources of the State during 2019-20.

Chart 2.3: Composition of Receipts of the State during 2019-20



Source: Finance Accounts

Total Resources of the State during 2019-20 were ₹1,84,985 crore. Out of this, ₹1,34,365 crore (72.63 per cent) are State's own Receipts (Revenue Receipts including Own Tax Revenue, Non-Tax Revenue and Capital Receipts consisting of borrowings).

As depicted in *Table 2.1*, Revenue Receipts have increased only by 1.11 *per cent* during 2019-20 over the preceding year.

Revenue Receipts were also affected by decreased receipts on account of State share of net tax transfers from GoI and in unclaimed Deposits, Sale of Land and property, Guarantee fees and Other Receipts, Mineral concession Fees, Rents and Royalties and Other Receipts under Non-Tax Revenue as detailed in the following paragraphs.

2.4.1 State's Revenue Receipts

The trends and growth of Revenue Receipts as well as Revenue buoyancy with respect to GSDP during the five-year period 2015-20 are shown in *Table 2.3*.

Table 2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	76,134	82,818	88,824	1,01,420	1,02,544
Rate of growth of RR (per cent)	49.16 ¹	8.78	7.25	14.18	1.11
Own Tax Revenue (₹ in crore)	39,975	48,408	56,520	64,674	67,597
Non-Tax Revenue (₹ in crore)	14,414	9,782	7,825	10,007	7,360
Rate of growth of Own Revenue (Own Tax and Non-Tax Revenue) (per cent)	52.20	6.99	10.58	16.06	0.37
Gross State Domestic Product (₹ in crore) (2011-12 Series)	5,77,902	6,58,325	7,53,127	8,61,031	9,69,604
Rate of growth of GSDP (per cent)	14.24	13.92	14.40	14.33	12.61
RR/GSDP (per cent)	13.17	12.58	11.79	11.78	10.58
Buoyancy Ratios					
Revenue Buoyancy w.r.t GSDP (Rate of growth of RR in per cent / Rate of growth of GSDP in per cent)	3.45	0.63	0.50	0.99	0.09
State's Own Revenue Buoyancy w.r.t GSDP	3.67	0.50	0.73	1.12	0.03

Source: Finance Accounts; for GSDP figures: Ministry of Statistics and Programme Implementation of respective years (figures as on 31 July 2020)

The following can be observed from the above table:

- While the growth rate of GSDP has consistently been higher than 10 *per cent*, the growth rate of RR has not shown the same consistency. In 2019-20, the growth rate of GSDP and RR was lowest amongst the five-year period. The growth rate of RR has decreased from 14.18 *per cent* in 2018-19 to a meagre 1.11 *per cent* in 2019-20.
- Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. Revenue buoyancy with reference to GSDP in 2019-20 at lower than 'one', registered the lowest in five years and implied that revenue receipts tend to increase by 0.09 *percentage* points, if the GSDP increases by one *per cent*.
- State's Own Revenue (Own Tax and Non-Tax) grew marginally by 0.37 *per cent* and was significantly lower than the increase (12.61 *per cent*) in GSDP.

Trend of composition of Revenue Receipts for the period 2015-20 are given in *Chart 2.4*.

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as figures for 2014-15 are for only 10 months (i.e., from 2 June 2014 to 31 March 2015) due to bifurcation of Andhra Pradesh State (combined), growth rate appears high in 2015-16 when compared to 2014-15

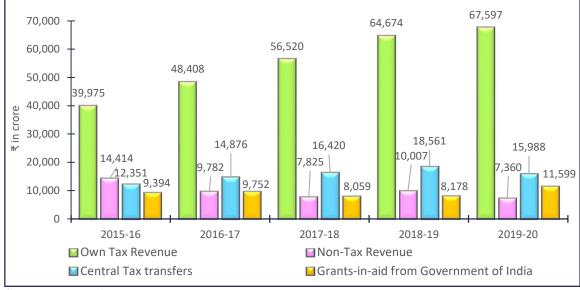


Chart 2.4: Trend of composition of Revenue Receipts during 2015-20

Source: Finance Accounts

The Own Tax Revenue has been growing year-on-year. Non-Tax Revenue has decreased in comparison to preceding year and was lowest during the five-year period. Central Tax transfers, which had been increasing during the years 2015-19, registered a dip in 2019-20. Grants-in-Aid from Government of India, on the other hand, have increased.

State Government stated during the Exit Conference (March 2021) that there was an overall economic slowdown across the country coupled with a marginal impact of Covid-19 pandemic during the last few days of March 2020.

2.4.1.1 State's own resources

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

(i) Own Tax Revenue

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

Own Tax Revenue at ₹67,597 crore in 2019-20 constituted 65.92 *per cent* of total Revenue Receipts (₹1,02,544 crore) of the year. While it had increased by 4.52 *per cent* (₹2,923 crore) over the previous year, as a *percentage* of GSDP however, it declined by 6.97 *per cent* in 2019-20 over the previous year.

During the current year, major contributors of Own Tax Revenue were State Goods and Services Tax (34.79 per cent), Taxes on Sales, Trades etc., (30.58 per cent) and State Excise (17.74 per cent). Component wise details of State's Own Tax Revenue collected during 2015-20 are detailed in *Table 2.4*.

Table 2.4: Components of State's Own Tax Revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Taxes on Sales, Trade, etc.,	29,847	34,235	25,107	20,291	20,674	
State Goods and Services Tax			13,073	23,840	23,517	
State Excise	3,809	5,581	9,421	10,638	11,992	
Taxes on Vehicles	2,309	3,394	3,590	3,762	3,935	
Stamp and Registration Fees	3,102	3,822	4,202	5,344	6,671	
Land Revenue	104	7	4	0.42	1	
Taxes on Goods and Passengers	34	11	88	189	62	
Other Taxes	770	1,358	1,035	610	745	/
Total	39,975	48,408	56,520	64,674	67,597	

Source: Finance Accounts

State Goods and Services Tax, State Excise, Taxes on Vehicles, Stamp duty and Registration Fees have been consistently increasing, while Taxes on sales, Land Revenue, Taxes on Goods and Passengers and Other Taxes have shown an undulating trend. The increase in State Excise during 2019-20 was mainly on account of user charges (₹1,036 crore) towards services rendered by the Department².

State Goods and Services Tax

State Government implemented the Telangana Goods and Services Tax (TGST) Act with effect from 01 July 2017. The GST has four components: (i) GST receipts by the Centre (CGST); (ii) GST receipts by the State (SGST); SGST is levied on intra-State supply of goods or services (except alcohol for human consumption and five specified petroleum products³); (iii) Integrated GST (IGST)⁴, a tax on inter-State supply of Goods or Services or both by the Central Government; and (iv) GST Compensation Cess⁵.

The receipts of Telangana in 2019-20 under above components are as under:

- a) *CGST*: The State received ₹4,536.74 crore as share of net proceeds assigned to States under CGST during the year 2019-20.
- b) **SGST:** The actual receipts of SGST were ₹23,629.65 crore during the year; this was reduced by an amount of ₹112.95 crore on account of advance apportionment of IGST, thus the net SGST was ₹23,516.70 crore.
- c) *IGST*: State has not received any IGST during 2019-20.

² towards non-refundable application fee for shop licences

³ Petroleum crude, High speed diesel, Motor spirit (Petrol), Natural gas and Aviation turbine fuel

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

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

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

The revenue of Telangana in the base year (2015-16) was ₹16,109 crore. Accordingly, the Protected Revenue for the year 2019-20 was ₹27,207.46 crore⁶.

The State received ₹23,516.70 crore as SGST. The Pre-GST collected as taxes subsumed under SGST during the year was ₹851.52 crore (provisional figures). Since, the total collection (₹24,368.22 crore) of the State under SGST was less than the protected revenue (₹27,207.46 crore) for the year 2019-20, ₹2,839.24 crore was due as GST compensation. An amount of ₹2,263.16 crore was received during 2019-20 as Grants-in-Aid under 'Compensation for loss of Revenue arising out of implementation of GST'.

(ii) Non-Tax Revenue (NTR)

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 2019-20 State's own NTR (₹7,360 crore) was seven *per cent* of total Revenue Receipts (₹1,02,544 crore). It decreased by ₹2,647 crore in 2019-20 in comparison to preceding year. The decrease (27 *per cent*) in State's own NTR was mainly due to decrease in Interest Receipts and Miscellaneous General Services.

The component-wise details of Non-Tax Revenue collected during the years 2015-20 are shown in *Table 2.5*.

⁶ Calculated at compounding increase of 14 *per cent* per annum for four years viz., 2016-17, 2017-18, 2018-19 and 2019-20 from the base year revenue of ₹16,109 crore (*i.e.*, ₹16,109 x 1.14 x 1.14 x 1.14 x 1.14 = ₹27,207.46 crore)

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

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest Receipts	2,878	1,791	116	60	18	
Dividends and Profits	69	70	101	94	115	
Other Non-Tax Receipts	11,467	7,921	7,608	9,853	7,227	\
(a) Major and Medium Irrigation	34	29	1,527	36	31	
(b) Road Transport	42	31	17	34	46	
(c) Urban Development	1	1	28	9	21	
(d) Education	184	768	336	318	367	\
(e) Non-ferrous mining	2,213	3,148	3,593	4,647	3,487	\
(f) Other or miscellaneous	8,993	3,944	2,107	4,809	3,275	
Total	14,414	9,782	7,825	10,007	7,360	\ <u></u>

Source: Finance Accounts

Most of the components of NTR have been wavering and receipts from non-ferrous mining, which have been increasing for the past four years, have declined during 2019-20.

- The decrease in Interest Receipts, in comparison to preceding year was mainly due to decrease of 65.25 *per cent* under 'Interest realised on investment of Cash Balances'.
- Revenue under 'Other or Miscellaneous' the component of Miscellaneous General Services decreased by 44.42 *per cent* during the year primarily due to decrease in (*i*) Sale of Land and Property by 51.02 *per cent* (from ₹848.45 crore in 2018-19 to ₹415.59 crore in 2019-20) and (*ii*) Guarantee Fees by 100 *per cent* (from ₹340.00 crore in 2018-19 to 'Nil' in 2019-20).
- The higher receipts under other Non-Tax Receipts in the preceding year (2018-19) were on account of lapsing of amounts (₹1,500 crore and ₹800 crore provided as loans in 2017-18 to Telangana State Scheduled Castes Cooperative Development Corporation Limited and Telangana State Scheduled Tribes Cooperative Finance Corporation Limited respectively) lying unutilised in Personal Deposits Accounts.
- Receipts under 'Other or Miscellaneous' the component of 'Other Rural Development Programmes' includes ₹103.99 crore unspent balances under Telangana Rural Inclusive Growth Project (TRIGP) consequent to pre-closure of the project. This amount was to be remitted back as reduction of Revenue Expenditure under functional Head of Account from which the expenditure was originally booked. However, the same was remitted into Government Account as Revenue Receipts. This has resulted in overstatement of Revenue Receipts and Revenue Expenditure as well to the extent of ₹103.99 crore.

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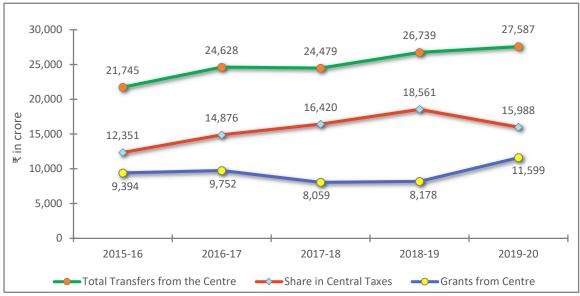
⁷ Head of Account: 0515-800 -Other Receipts

balance remaining out of the releases of ₹129.10 crore made by State Government to Society for Elimination of Rural Poverty (SERP) during 2015-19 (2015-16: ₹7.50 crore, 2016-17: ₹10.00 crore, 2017-18: ₹11.60 crore and 2018-19: ₹100.00 crore) under Head of Account 2501-800-310-312 for implementation of TRIGP

2.4.1.2 Devolution of Central Taxes and Grants from the Centre

Trends in transfers from Centre for the period 2015-20 are shown in *Chart 2.5*.

Chart 2.5: Trends in transfers from Government of India



Source: Finance Accounts

Actual devolution of State's share in Union taxes and duties vis-à-vis XIV Finance Commission (FFC) projections for the period 2015-20 are shown in *Table 2.6*.

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

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (=4-3)
2015-16	2.437 per cent of net proceeds of	14,274	12,351	(-)1,923
2016-17	all shareable taxes excluding service tax and 2.499 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of FFC)	16,478	14,876	(-)1,602
2017-18	As per fiscal consolidation	16,217	16,420	203
2018-19	roadmap of State Government	18,057	18,561	504
2019-20	Toadmap of State Government	19,102	15,988	(-)3,114

Source: Finance Accounts

(i) Central Tax transfers

The component-wise Central Tax transfers to the State during 2015-16 to 2019-20 are given in *Table 2.7*.

Table 2.7: Central Tax Transfers

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)			231	4,581	4,537
Integrated Goods and Services Tax (IGST)			1,657	366	
Corporation Tax	3,870	4,763	5,027	6,454	5,451
Taxes on Income other than Corporation Tax	2,675	3,310	4,245	4,753	4,271
Customs	1,979	2,049	1,657	1,315	1,013
Union Excise Duties	1,662	2,340	1,731	874	705
Service Tax	2,153	2,404	1,872	172	
Other Taxes ⁹	12	10	0	46	10
Central Tax transfers	12,351	14,876	16,420	18,561	15,988
Percentage of increase over previous year	50.82	20.44	10.38	13.04	(-)13.86
Percentage of Central tax transfers to Revenue Receipts	16.22	17.96	18.49	18.30	15.59

Source: Finance Accounts

During the current year, Central Tax transfers as a *percentage* of Revenue Receipts of the State decreased by 2.71 *percentage* points (₹2,753 crore) compared to 2018-19 due to decrease in all the components of Central Taxes.

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

The details of Grants-in-aid (GIA) received from Government of India during 2015-20 are detailed in *Table 2.8*.

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

(₹ in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	2,978	3,057			
Grants for State Plan Schemes	6,416	6,695			
Grants for Centrally Sponsored Schemes (CSS)			6,108	5,508	5,729
Finance Commission Grants			1,168	1,806	3,219
Other transfers/Grants to States/Union Territories with Legislature			783	864	2,651
Total	9,394	9,752	8,059	8,178	11,599
Percentage of increase over the previous year	31.98	3.81	(-)17.36	1.48	41.83
Percentage of GIA to Revenue Receipts	12.34	11.78	9.07	8.06	11.31

Source: Finance Accounts

Grants-in-Aid from GoI increased by ₹3,421 crore (42 per cent) in 2019-20 compared to the previous year and constituted 11 per cent of Revenue Receipts during the year (an increase of three per cent over 2018-19). Grants for Centrally Sponsored Schemes (₹5,729 crore) constituted 49 per cent of total grants. Finance Commission Grants (₹3,219 crore) were provided for Rural Local Bodies (₹1,571 crore), Urban Local Bodies

⁹ include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services

(₹1,161 crore) and State Disaster Response Fund (SDRF) (₹487.50 crore) and constituted 28 *per cent* of the total grants during the year. Compensation for loss of revenue arising out of implementation of GST (₹2,263 crore) and Central Road Fund (₹234 crore) form major part of Other grants.

2.4.2 Capital Receipts

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

Table 2.9: Trends in growth and composition of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	14,741	29,407	21,820	22,312	29,855
Miscellaneous Capital Receipts					
Recovery of Loans and Advances	88	156	138	66	62
Net Public Debt Receipts#	14,653	29,251	21,682	22,246	29,793
Internal Debt	13,883	29,058	21,458	22,646	30,025
Growth rate	78.74	109.31	(-)26.15	5.54	32.58
Loans and Advances from GoI	770	193	224	(-)400	(-)232
Growth rate	795.35	(-)74.94	16.06	(-)278.57	(-)42.00
Rate of growth of debt Capital Receipts	86.59	99.62	(-)25.88	2.60	33.93
Rate of growth of non-debt capital receipts	14.29	77.27	(-)11.54	(-)52.17	(-)6.06
Rate of growth of GSDP	14.24	13.92	14.40	14.33	12.61
Rate of growth of Capital Receipts (per cent)	85.89	99.49	(-)25.80	2.25	33.81

Source: Finance Accounts; GSDP – Source: Ministry of Statistics and Programme Implementation(figures as on 31 July 2020)

Capital Receipts increased by 103 *per cent* from ₹14,741 crore in 2015-16 to ₹29,855 crore in 2019-20. During the year 2019-20, Capital Receipts increased by 34 *per cent* compared to the previous year and were significantly higher than the growth rate of GSDP (13 *per cent*) during 2019-20.

Public Debt receipts, consisting of borrowings taken from Market, Financial Institutions and Central Government, which create future repayment obligation, constituted a major component of Capital Receipts (99.79 *per cent*). Internal Debt (₹30,025 crore) increased by 27 *percentage* points during 2019-20 compared to 2018-19 (₹22,646 crore).

[#] excludes Ways and Means Advances of ₹112 crore, ₹12,088 crore, ₹22,922 crore, ₹21,823 crore and ₹37,248 crore for 2015-16, 2016-17, 2017-18,2018-19 and 2019-20 respectively

2.4.3 State's performance in mobilisation of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources.

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

(₹ in crore)

	FFC	Budget	Actuals	Percentage variation of actual over		
	projections	Estimates	Actuals	Budget estimates	FFC projections	
Own Tax Revenue (OTR)	89,950	69,329	67,597	(-)2.50	(-)24.85	
Non-Tax Revenue (NTR)	12,354	15,875	7,360	(-)53.64	(-)40.42	

Source: FFC projects, Budget Estimates and Finance Accounts

- Realisation of Own Tax Revenue was lower vis-à-vis projections made by XIV FC (24.85 *per cent*).
- Actual realisation of NTR was significantly lower than both BEs of the Government (53.64 *per cent*) as well as projection of XIV FC (40.42 *per cent*).
- NTR could not meet budgetary projections primarily due to short realisation under 'Sale of Land and property', where the receipts were a paltry ₹416 crore as against BE of ₹10,000 crore.

2.5 Application of Resources

State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time 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 analysis of allocation of expenditure in the State is given in the following paragraphs.

2.5.1 Growth and composition of expenditure

Total Expenditure, its composition and relative share in GSDP during the years 2015-16 to 2019-20 is presented in *Table 2.11*.

Table 2.11: Total Expenditure and its components

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	95,078	1,18,255	1,15,662	1,28,435	1,34,365
Revenue Expenditure (RE)	75,896	81,432	85,365	97,083	1,08,798
Capital Expenditure (CE)	13,590	33,371	23,902	22,641	16,859
Loans and Advances	5,233	3,402	6,209	8,706	8,700
Inter-State Settlement	359	50	186	5	8
As a percentage of GSDP					
TE / GSDP	16.45	17.96	15.36	14.92	13.86
RE / GSDP	13.13	12.37	11.33	11.28	11.22
CE / GSDP	2.35	5.07	3.17	2.63	1.74
Loans and Advances / GSDP	0.91	0.52	0.82	1.01	0.90

Source: Finance Accounts

Total Expenditure of the State increased by 41 *per cent* from ₹95,078 crore in 2015-16 to ₹1,34,365 crore in 2019-20. During 2019-20, it increased by five *per cent* over preceding year. However, as a *percentage* of GSDP, the Total Expenditure has decreased over the last four years indicating reducing share of Government Expenditure to GSDP. *Chart 2.6* depicts the trend of the share of components in Total Expenditure.

0.38 0.16 0.04 0.05 0.00 0.01 100 5.50 2.88 5.37 6.78 3.07 6.47 14.29 28.22 23.36 20.67 12.55 80 17.63 60 per cent 79.82 40 68.86 73.52 73.81 75.59 80.97 20 0 2015-16 2016-17 2016-17 2017-18 2018-19 2019-20 (with UDAY) (without UDAY) Loans and Advances Revenue Expenditure (RE) ■ Capital Expenditure (CE) ■ Inter-State Settlement

Chart 2.6: Trend of share of components in Total Expenditure

Source: Finance Accounts

Capital Expenditure, which was 18 per cent of Total Expenditure in 2018-19 has decreased by five percentage points to 13 per cent in 2019-20. On the other hand, Revenue Expenditure increased by five percentage points from 76 per cent in 2018-19 to 81 per cent in 2019-20. Loans and Advances (6.47 per cent) decreased marginally by 0.31 per cent over the previous year (6.78 per cent).

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

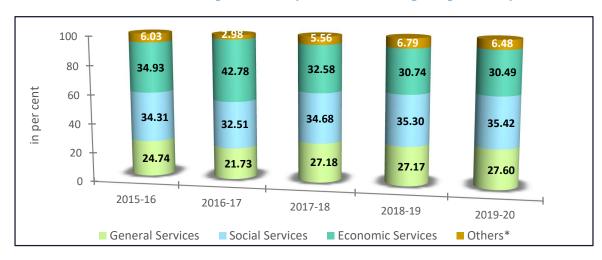


Chart 2.7: Trend of expenditure by activities during the past five years

Source: Finance Accounts

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

The relative share of General Services and Social Services in the Total Expenditure marginally increased during the year 2019-20. *Chart 2.8* depicts the composition of expenditure for the year 2019-20.

General Services (Revenue Expenditure)
Social Services (Revenue Expenditure)
Economic Services (Revenue Expenditure)
Grants to Local bodies
Capital Expenditure
Loans and Advances
Inter-State Settlement
Repayment of Public Debt

Chart 2.8: Composition of expenditure (in per cent) during 2019-20

Source: Finance Accounts

2.5.2 Revenue Expenditure

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

The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in *Table 2.12*.

Table 2.12: Revenue Expenditure – Basic Parameters

(₹ in crore)

0.00

Parameter	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	95,078	1,18,255	1,15,662	1,28,435	1,34,365
Revenue Expenditure (RE)	75,896	81,432	85,365	97,083	1,08,798
Rate of growth of RE (per cent)	49.7810	7.29	4.83	13.73	12.07
RE as a per cent of TE	79.82	68.86	73.81	75.59	80.97
RE / GSDP in per cent	13.13	12.37	11.33	11.28	11.22
RE as a percentage of RR	99.69	98.33	96.11	95.72	106.10
Buoyancy of RE with GSDP (ratio)	3.49	0.52	0.34	0.96	0.96
Revenue Receipts (ratio)	1.01	0.83	0.67	0.97	10.87

Source: Finance Accounts

• Buoyancy of RE to RR has increased significantly to 10.87 *per cent* in this year, which was less than 'one' during the previous three years. This indicates that the RE incurred by the Government has increased at much higher rate than its RR in 2019-20. As a result, the State could not achieve Revenue Surplus in 2019-20 as envisaged in TSFRBM Act.

as figures for 2014-15 are for only 10 months (i.e., from 2 June 2014 to 31 March 2015) due to bifurcation of Andhra Pradesh State (combined), growth rate appears high in 2015-16 when compared to 2014-15

Sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in *Chart 2.9*.

₹ in crore and Organs of State Fiscal Services in per cent Grants in aid and 1,014 786 contributions 1% 1% Interest Payment and Servicing of Debt Nil 14,686 Economic 14% Services 26,524 Administrative 24% Services 8,137 7% Pensions and miscellaneous Social Services **General Services** 45,833 11,818 42% 11%

Chart 2.9: Sector-wise distribution of Revenue Expenditure during 2019-20

Source: Finance Accounts

2.5.2.1 Major changes in Revenue Expenditure

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

Table 2.13: Variation in Revenue Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Increase (+) / Decrease (-)
2235 - Social Security and Welfare	7,499	9,847	2,348
2401 - Crop Husbandry	11,298	13,112	1,814
2049 - Interest Payments	12,586	14,386	1,800
2245 - Relief on account of Natural Calamities	297	1,836	1,539
2515 - Other Rural Development Programmes	2,244	3,516	1,272
2225 - Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	8,822	9,853	1,031
2015 – Elections	438	320	(-)118
2853 - Non-ferrous Mining and Metallurgical Industries	304	164	(-)140
2029 - Land Revenue	245	97	(-)148
2236 – Nutrition	2,912	2,738	(-)174
3054 - Roads and Bridges	702	360	(-)342
2501 - Special Programmes for Rural Development	603	219	(-)384
2216 – Housing	876	460	(-)416

Source: Finance Accounts

The increase of Revenue Expenditure over the preceding year was mainly under (i) Social Security and Welfare, due to higher outgo (₹2,471crore) under Aasara Pensions, (ii) Interest Payments, due to higher interest payment (₹ 1,485 crore) on State Development Loans, and (iii) Crop Husbandry, due to higher outgo under Investment Support Scheme Rythu Bandhu (increase of ₹1,237 crore). Further, an expenditure of ₹1,187 crore was also incurred on Covid-19 Pandemic under Relief on account of Natural Calamities in 2019-20.

There was a decrease in Revenue Expenditure under (i) Housing, owing to decreased expenditure under Special Component plan for Scheduled Castes (Prime Minister Awas

Yojana – ₹64 crore and Two BHK scheme – ₹157.50 crore) and Tribal Area Sub Plan (Prime Minister Awas Yojana – ₹49 crore and Two BHK scheme – ₹92.50 crore) and (ii) Special Programme for Rural Development, owing to decreased expenditure under Assistance to SERP under TRIGP (₹100 crore), Assistance to SERP (₹122 crore) and Prime Minister Krishi Sinchayee Yojana (₹25 crore).

Audit analysis of the data pertaining to the five-year period 2015-20 revealed that, under Social Services Sector, the State Government spent ₹21,082.98 crore on Aasara Pensions (including pensions to disabled, old age persons, widows, weavers and toddy tappers), ₹16,702.07 crore on Teaching Grants to Mandal Praja Parishads, ₹15,982.90 crore on Teaching Grants to Zilla Praja Parishads and ₹9,549.52 crore towards Subsidy on Rice (Human Resources Development). Under Economic Services Sector, higher expenditure during the past five years occurred on Assistance to TRANSCO for agriculture and allied subsidies (₹21,626.98 crore), Investment Support Scheme (₹21,174.87 crore) and Scheme for Debt relief (₹13,088.16 crore).

2.5.2.2 Committed Expenditure

Committed expenditure of the State Government on revenue account consists of expenditure towards interest payments, expenditure on salaries and wages and pensions. Upward trend on committed expenditure leaves the Government with less flexibility for developmental expenditure. *Table 2.14* presents the trends in the components of Committed Expenditure during 2015-20.

Table 2.14: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries and Wages	20,404	21,897	23,003	23,351	24,564
Expenditure on Pensions	8,217	9,011	11,932	11,477	11,834
Interest Payments	7,558	8,609	10,836	12,586	14,386
Total	36,179	39,517	45,771	47,414	50,784
As a percentage of Revenue Receipts (RR)					
Salaries and Wages	26.80	26.44	25.90	23.02	23.95
Expenditure on Pensions	10.79	10.88	13.43	11.32	11.54
Interest Payments	9.93	10.40	12.20	12.41	14.03
Total	47.52	47.72	51.53	46.75	49.52

Source: Finance Accounts

Committed expenditure constituted about 50 per cent of the total revenue receipts during 2019-20. Although there was an increase in all the components of committed expenditure, it was primarily on account of increase in interest payments during the current year by ₹1,800 crore followed by an increase of ₹1,213 crore in salaries and wages over the previous year. Interest Payments increased by 90.34 *per cent* during the five-year period 2015-20. Greater reliance on market borrowings by Government in recent years has led to increased committed liabilities on interest payments. Consequently, interest payments relative to Revenue Receipts was considerably higher at 14.03 *per cent* as against 8.39 *per cent* in the projected roadmap of XIV Finance Commission for the current year.

The share of committed expenditure in total Revenue Expenditure is depicted in *Chart 2.10*.

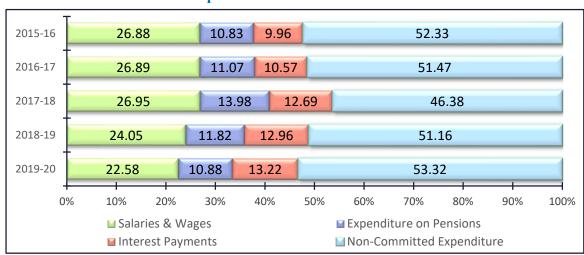


Chart 2.10: Share of committed expenditure in Revenue Expenditure during the period 2015-16 to 2019-20

Source: Finance Accounts

Committed expenditure as a *percentage* of Revenue Expenditure has decreased during the current year (46.68 *per cent*) in comparison to the preceding year (48.84 *per cent*), resulting in better availability of resources for non-committed expenditure (expenditure on development or welfare activities). This is mainly due to comparatively less expenditure on Salaries (22.58 *per cent*) and Pensions (10.88 *per cent*).

2.5.2.3 Undischarged liabilities on account of National Pension System

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

On the bifurcation of the erstwhile combined State of Andhra Pradesh in 2014, a balance of ₹730.64 crore was available in the NPS Deposit Account of the composite Andhra Pradesh State, pending transfer to NSDL. This amount was to be apportioned between the successor States of Andhra Pradesh and Telangana. Of this amount, ₹365.21 crore was apportioned in 2018-19, with Telangana State being allocated ₹134.60 crore, leaving an amount of ₹365.43 crore pending apportionment.

As on 01 April 2019, the NPS Deposit Account under Defined Contributory Pension Scheme for Government Employees had an opening balance of ₹273.57 crore. Receipts to the NPS Deposit Account during the year were ₹1,184.31 crore (Employee contribution: ₹593.80 crore, Government contribution: ₹586.32 crore, Interest contribution for legacy period¹¹: ₹1.68 crore and Foreign employers' contribution: ₹2.51 crore). Of the total

pertains to the period from September 2004 to March 2011

receipts of ₹1,457.88 crore, the Government transferred an amount of ₹1,189.35 crore to NSDL, leaving a closing balance of ₹269.86 crore as of March 2020 in the NPS Deposit Account.

As per provisions of the NPS, the Government has to match the contribution of the employees. During the last six years, employees contributed an amount of ₹2,584.99 crore, while the Government contributed an amount of ₹2,520.01 crore, resulting in an overall short contribution of ₹64.98 crore by the Government. Consequently, the current liability stands deferred to future years. Further, the State Government has created an avoidable interest liability on the amount of ₹334.84 crore (short contribution by Government and amount yet to be transferred to NSDL).

2.5.2.4 Subsidies

Table 2.15 presents expenditure on subsidies for the five-year period 2015-16 to 2019-20.

Table 2.15: Expenditure on subsidies

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	5,164	5,935	5,899	6,304	6,846
Subsidies as a percentage of Revenue Receipts	6.78	7.17	6.64	6.22	6.68
Subsidies as a <i>percentage</i> of Revenue Expenditure	6.80	7.29	6.91	6.49	6.29

Source: Finance Accounts

Subsidies as a *percentage* of Revenue Receipts increased from 6.22 *per cent* in 2018-19 to 6.68 *per cent* in 2019-20. However, as a *percentage* of Revenue Expenditure, this decreased by 0.20 *percentage* points in 2019-20 (6.29 *per cent*) over the previous year (6.49 *per cent*). Power (56 *per cent*) and Civil Supplies (20 *per cent*) together constitute 76 *per cent* of the total Subsidies (₹6,846 crore).

- Increase in subsidies under Power (₹3,872.13 crore) was due to an increase by ₹167.48 crore in Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied Subsidy, Agriculture and allied activities (₹247.73 crore; an increase by ₹139.92 crore mainly on account of increase in Farm Mechanisation) and Roads, Buildings and Ports (₹460.00 crore; an increase by ₹330.00 crore on assistance to TSRTC towards Reimbursement of concessions extended to various categories of citizens).
- Subsidy towards Civil Supplies (₹1,340.16 crore) decreased marginally by six *per cent* in 2019-20 over the previous year (₹1,432.40 crore). Subsidy here was essentially towards subsidy on Rice (Human Resources Development ₹1,336.92 crore) and Distribution of L.P.G Connection to women in rural areas/municipal areas (₹3.24 crore)

Subsidies were also provided for other purposes in the form of 'Grants-in-Aid' and 'Other expenditure' on items, which are of the nature of subsidies. Illustrative items are listed below:

- (i) Assistance to Transmission Corporation of Telangana Limited for Agricultural and allied subsidy (₹1,237 crore);
- (ii) Interest free loans to DWCRA Women (Vaddileni Runalu) (₹186 crore);

- (iii) Managerial subsidy to Telangana State Scheduled Castes Co-operative Development Corporation (₹60 crore);
- (iv) Power subsidy for industries (₹23 crore), etc

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

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

The State Government provided an amount of ₹44,967 crore to Local Bodies and other Institutions by way of Grants and Loans in 2019-20, which was significantly higher (₹7,059 crore) than in the preceding year.

Table 2.16: Financial assistance to Local Bodies and Other Institutions

(₹ in crore)

Name of the Institution	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
ULBs: Municipal Corporations and	933	608	798	1,542	1,359
Municipalities	933	000	190	1,542	1,339
PRIs: Zilla Praja Parishads,Mandal	6,699	7,489	6,376	5,996	7,273
Praja Parishads and Gram Panchayats	0,077	7,407	0,370	3,770	7,273
Total (A)	7,632	8,097	7,174	7,538	8,632
(B) Others					
Educational Institutions (Aided Schools,	1,012	987	1,000	1,037	965
Aided Colleges, Universities, etc.)	1,012	967	1,000	1,037	903
Development Authorities	221	119	291	236	154
Statutory Corporations	593	930	1,071	1,409	1,421
Co-operative Institutions	100	63	56	229	68
Non-Governmental Organisations	542	615	1,004	775	962
Other Institutions ^{\$}	18,958	19,837	19,820	26,684	32,765
Total (B)	21,426	22,551	23,242	30,370	36,335
Total (A+B)	29,058	30,648	30,416	37,908	44,967
Revenue Expenditure	75,896	81,432	85,365	97,083	1,08,798
Assistance as percentage of Revenue	38.29	37.64	35.63	39.05	41.33
Expenditure	38.29	37.04	33.03	39.03	41.33

Source: Finance Accounts

The overall increase in comparison to previous year was mainly due to increase in SFC Grants to Gram Panchayats (₹701.83 crore), Fourteenth Finance Commission Grants to Zilla Parishads (₹414 crore) and to Gram Panchayats (₹502.22 crore).

2.5.3 Capital Expenditure

Capital Expenditure is incurred for acquisition and creation of capital assets. It is non-recurring in nature. It also includes 'Repayment of loans; and 'Discharge of Internal Debt' because it reduces liability. Capital Expenditure during the year 2019-20 (₹16,859 crore) was significantly lower (26 *per cent*) than that of the preceding year (₹22,641 crore).

2.5.3.1 Major changes in Capital Expenditure

Significant increase or decrease in various Heads of Account in Capital Expenditure (capex) during 2019-20 vis-à-vis previous year is shown in *Table 2.17*.

S Other institutions which received ad-hoc or one-time grants during the year mainly towards investment support scheme (₹11,204 crore), Aasara pensions (₹5,236 crore), Aasara pensions to old age pensions and widows (₹1,556 crore), Samagra Siksha (₹1,108 crore), etc.

Table 2.17: Capital Expenditure – comparison between 2018-19 and 2019-20

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
4700- Capital outlay on Major Irrigation	7,822	8,375	553
5475- Capital Outlay on Other General Economic Services	701	794	93
4202- Capital Outlay on Education, Sports, Art and Culture	279	282	3
5054 Capital outlay on Roads and Bridges	1,024	957	(-)67
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	618	481	(-)137
4801 Capital outlay on Power Projects	2,400	2,000	(-)400
4401- Capital Outlay on Crop Husbandry	681	0	(-)681
4515- Capital Outlay on Other Rural Development Programmes	1,996	1,008	(-)988
4215- Capital Outlay on Water Supply and Sanitation	4,236	744	(-)3,492

Source: Finance Accounts

The decrease in Capital Expenditure during the year 2019-20 was mainly due to decrease under Water Supply and Sanitation (₹3,492 crore), Other Rural Development Programmes (₹988 crore) and Crop Husbandry (₹681 crore).

In comparison to 2018-19, decrease in 2019-20 under Water Supply, Sanitation, Housing and Urban Development was mainly due to less expenditure on Mission Bhagiratha (₹1,690 crore), Swachh Bharath Mission—Gramin (₹1,078 crore) and National Rural Drinking Water Programme (₹597 crore). Decrease under Other Rural Development Programmes was mainly due to less expenditure on Mahatma Gandhi National Rural Employment Guarantee Scheme (₹824 crore). Decrease under Crop Husbandry was mainly due to less expenditure on Investment in Telangana State Seeds Development Corporation Limited (₹677 crore) and Afforestation Fund (₹157crore).

Capital expenditure was higher under major irrigation due to higher expenditure on Kaleshwaram project (₹1,538 crore), J Chokka Rao Devadula Lift Irrigation Scheme (₹370 crore) and Kalwakurthy Lift Irrigation Scheme (₹313 crore).

Audit analysis of capex data over the five-year period from 2015-16 to 2019-20 revealed that the State Government spent ₹5,600.63 crore on Mission Bhagiratha, ₹1,703.07 crore on National Rural Drinking Water Programme, ₹1,078.32 crore on Swachh Bharath Mission (Gramin) in Social Sector. Under Economic Services Sector, higher capital expenditure during this period occurred on Dam and Appurtenant Works (₹21,329.06 crore), Canals and Distributaries (₹20,267.78 crore) under Irrigation and Flood control, Investment in DISCOMs (₹17,618.89 crore), Mission Kakatiya (₹4,427.34 crore and Major District Roads (₹2,776.43 crore).

The Government, however, has been implementing its flagship projects/schemes like Kaleshwaram and Mission Bhagiratha through Off-Budget Borrowings obtained by Special Purpose Vehicles (SPVs), apart from incurring capital expenditure through budget.

2.5.3.2 Quality of Capital Expenditure - Investments

Capital Expenditure in the Companies, Corporations, and other bodies, which are loss making (or where net worth is eroded) have less chances of providing returns. Return on

investment in Share Capital invested in PSUs and prompt recoveries of loans given to various bodies are important determinants of quality of Capital Expenditure.

As of 31 March 2020, the State Government's investments stood at ₹21,807 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. During the year 2019-20, Government of Telangana invested ₹2,052.96 crore in seven entities. These investments were mainly in (i) Power Distribution Companies of Telangana (DISCOMs) (₹2,000 crore), (ii) Ramagundam Fertilizers and Chemicals Limited (₹47.93 crore) and (iii) T HUB Foundation (₹3.65 crore).

However, neither the State Government nor the individual entities reconciled or confirmed these investments. The information, furnished to audit by the institutions differs from the details in Finance Accounts. Details of investments made by the Government are shown in *Table 2.18*:

2015-16 2018-19 2016-17 2017-18 2019-20 Investment/return/ cost of borrowings Investment at the end of the year 1,329 13,075 16,365 19,754 21,807 (₹ in crore) 70 101 94 Return on Investment (₹ in crore) 69 115 Return on investment in per cent 5.19 0.54 0.62 0.48 0.53 Interest paid on Government Borrowings 7,558 8,609 10,836 14,386 12,586 (₹ in crore) Average rate of interest on Government 8.50 7.40 7.21 6.93 6.70 Borrowings (per cent) Difference between return and interest rate (-)3.31(-)6.86(-)6.59(-)6.45(-)6.17(per cent) Difference between return on investment and interest on Government borrowings (-)7,489(-)8,539(-)10,735(-)12,492(-)14,271(₹ in crore)#

Table 2.18: Return on Investment

Source: Finance Accounts;

Return on Investment (RoI) in these Companies/ Corporations has been quite low consistently. Further, even though the investments made by the Government have increased from ₹1,329 crore in 2015-16 to ₹21,807 crore in 2019-20, there is no marked increase in RoI from the Companies/ Corporations.

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

In respect of 14 Companies / Corporations, whose net worth was (-)₹36,927.06 crore (i.e., net worth eroded completely), the State Government has invested an amount of ₹3,674.76 crore during the year 2019-20 and ₹28,476.01 crore as at the end of 31 March 2020.

Details of six Companies / Corporations whose net worth was below (-)₹500 crore are shown in *Table 2.19*.

[#] Investment at the end of the year

Table 2.19: Investments made in Companies whose net worth is eroded

Sl.	Company or Corporation	Net worth			Cumulative Investment as on 31 March 2020	
No.	Company of Corporation	March 2020	Equity	Loan	Equity + Demerger Reserve	Loan
1	Southern Power Distribution Company of Telangana Limited	(-)17,291.45	1,400.00	0.00	12,740.92	337.55
2	Northern Power Distribution Company of Telangana Limited	(-)7,314.41	600.00	0.00	5,869.20	211.14
3	Telangana State Road Transport Corporation	(-)5,899.09	0.00	155.00	(-)127.63	995.09
4	Telangana State Housing Corporation Limited	(-)3,820.70	0.00	1,519.76	0.25	5,780.83
5	Telangana Drinking Water Supply Corporation	(-)1,825.19	0.00	0.00	2.00	0.00
6	Telangana Rajiv Swagruha Corporation Limited	(-)507.05	0.00	0.00	0.05	0.00
	Total	(-)36,657.89	2,000.00	1,674.76	18,484.79	7,324.61

Source: Information furnished by Companies / Corporations concerned

Further, the State Government has also provided a loan of ₹95 crore during 2019-20 and ₹2,278.45 crore to Hyderabad Metro Rail Limited, which has incurred a loss of ₹169.54 crore during 2018-19.

Capital expenditure in the Companies, Corporations, and other bodies, where net worth is completely eroded is not sustainable.

2.5.3.3 Quantum and quality of loans disbursed and recovered

Government provides Loans and Advances to Public Sector Undertakings, Local Bodies and Autonomous Bodies. *Table 2.20* presents the details of outstanding Loans and Advances during the years 2015-20:

Table 2.20: Quantum of loans disbursed and recovered during 2015-16 to 2019-20

(₹ in crore)

Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	1,406	6,552	9,798	15,869	24,509
Amount advanced during the year	5,233	3,402	6,209	8,706	8,700
Amount recovered during the year	88	156	138	66	62
Closing Balance of the loans outstanding	6,552	9,798	15,869	24,509	33,147
Net addition	5,145	3,246	6,071	8,640	8,638
Interest received	53	105	84	7	6
Interest rate on Loans and Advances given by the Government	0.81	1.07	0.53	0.03	0.02
Rate of Interest paid on the outstanding borrowings of the Government	8.50	7.40	7.21	6.94	6.70
Difference between the rate of interest received and interest paid (per cent)	(-) 7.69	(-)6.33	(-)6.68	(-) 6.91	(-)6.68

Source: Finance Accounts

- Loans and Advances to Autonomous Bodies and Corporations (₹8,700 crore) in 2019-20 stands almost constant compared to previous year (₹8,706 crore). This was, however, lower than Budget Estimates of ₹8,896 crore. Major portion of loans were disbursed for projects relating to Water Supply, Sanitation, Housing and Urban Development (₹4,723 crore)¹² as well as Agriculture and allied services (₹1,263 crore)¹³, Health and Family Welfare (₹720 crore)¹⁴, Irrigation and Flood Control (₹688 crore)¹⁵, Road Transport (₹571 crore)¹⁶, Energy (₹345 crore)¹⁷, Industry and Minerals (₹223 crore)¹⁸. Total Loans and Advances given up to 31 March 2020 was ₹33,147 crore.
- Out of the ₹8,700 crore loans provided during 2019-20, an amount of ₹6,557.26 crore was towards payment of interest/repayment of principal in respect of loans taken by various institutions for implementing Government schemes/projects and hence are in the nature of repayment of Off-Budget Borrowings. Such loans do not reflect a true picture of Government assets in the form of loans provided.
- Further, during the past three years, significant amounts of loans were given to institutions for repayment of loans which were taken earlier, for implementation of Government schemes or to those institutions which did not have definite revenue resources for repayment of loans as shown in *Table 2.21*:

Table 2.21: Loans given during 2017-18 to 2019-20 to institutions for repayment of loans / which do not have definite stream of revenue resources

(₹ in crore)

Sl. No.	Institution	Amount (as of March 2020)					
Loan	Loans given to institutions, for repayment of loans from other institutions, in connection with						
imple	implementation of Government Schemes						
1	Telangana Drinking Water Supply Corporation Limited for Mission Bhagiratha	5,271.19					
2	Telangana State Sheep and Goat Development Cooperative Federation Limited	1,369.33					
3	Hyderabad Metropolitan Water Supply and Sewerage Board	2,166.00					
4	Telangana State Industrial Infrastructure Corporation	270.30					
Loan	s given to institutions, not having definite stream of revenue resources for rep	ayment of loans					
1	Telangana State Scheduled Castes Cooperative Development Corporation Ltd	3,000.00					
2	Telangana State Scheduled Tribes Cooperative Finance Corporation Limited	1,700.00					
3	Arogyasri Health Care Trust	2,146.26					

Source: Finance Accounts

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mainly on account of Loans to Telangana Drinking Water Supply Corporation Limited (₹2,810.73 crore); Loans to Financial Institutions (₹830.28 crore) and Loans to Hyderabad Metropolitan Water Supply and Sewerage Board (₹825 crore)

mainly on account of Loans to Telangana State Sheep and Goat Development Cooperative Federation Limited (₹820.64 crore) and Loans to Horticulture Development Corporation (₹251.29 crore)

on account of Loans to Arogyasri Health Care Trust (₹720.12 crore)

mainly on account of Loans to Telangana State Water Resources Infrastructure Development Corporation Limited (₹361.24 crore) and Kaleshwaram Corporation (₹326.95 crore)

mainly on account of Loans to Telangana State Road Development Corporation (₹326.19 crore) and Telangana State Road Transport Corporation (₹240.00 crore)

¹⁷ mainly on account of interest / repayment loans of Power Finance Corporation Bonds (₹287.35 crore)

¹⁸ on account of repayment of Loans of Telangana State Industrial Infrastructure Corporation (₹222.71 crore)

In State Finances Audit Reports for the years ended March 2018 and March 2019, the Comptroller and Auditor General of India had pointed out that Budget Estimates for recovery of loans were high at ₹5,807 crore and ₹7,807 crore respectively, while the actual recoveries were only ₹138 crore and ₹66 crore respectively. For the current year, i.e., 2019-20, however, the Budget Estimates were more realistic at ₹45 crore and the actual recovery was ₹61.95 crore.

However, 99 *per cent* of recoveries (*i.e.*, ₹61.63 crore) were from Government Servants only. The recovery from major institutions was only a meagre ₹0.32 crore under 'Loan assistance for integrated Co-operative Development projects (NCDC)'.

2.5.3.4 Capital blocked in Ongoing Projects

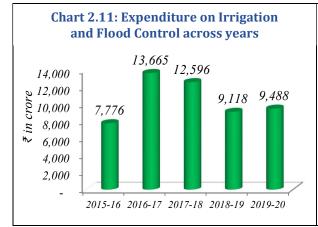
Blocking of funds on incomplete Projects/Works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to extra burden in terms of servicing of debt and interest liabilities. An assessment of trends in capital blocked in incomplete capital works indicate quality of Capital Expenditure.

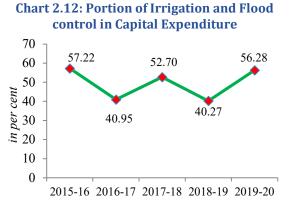
Table 2.22: Age profile of ongoing projects as on 31 March 2020 (₹ in crore)					
Ongoing Project / work commenced in the year	No. of ongoing Projects / works	Estimated cost	Expenditure (as on 31 March 2020)		
up to 2013-14	125	66,464.38	1,12,028.10		
2014-15	18	331.44	166.27		
2015-16	253	37,468.70	25,337.79		
2016-17	81	43,559.04	11,283.92		
2017-18	129	14,655.99	6,665.76		
2018-19	297	4,433.84	1,360.18		
2019-20	22	1,351.33	185.41		
Total	925	1,68,264.73	1,57,027.44		

Table 2.23: Department-wise profile of ongoing projects as on 31 March 2020 (₹ in crore)						
Department	No. of ongoing projects / works	Estimated cost	Expenditure			
Roads	521	8,417.18	3,081.98			
Bridges	112	1,305.99	370.56			
Buildings	63	81.35	31.82			
Irrigation	24	1,16,823.02	1,26,849.85			
Water Supply Schemes and others	205	41,637.19	26,756.23			
Total	925	1,68,264.73	1,57,027.44			

Source: Finance Accounts

Capital Expenditure incurred during the five-year period 2015-16 to 2019-20 ranged from 12.55 *per cent* to 28.22 *per cent* of the Total Expenditure. An amount of ₹1,10,363 crore was spent on capital projects during this period. Within the capital projects, the major share of capex (56.28 per cent) was on Irrigation and Flood Control (₹52,643 crore). Capital outlay on Irrigation and Flood Control and its share in total Capital Expenditure of the Government are shown in *Chart 2.11* and *Chart 2.12*.





Source: Finance Accounts

There were 24 ongoing irrigation projects (commenced between 1983 to 2017) as of March 2020. The original cost of these projects was revised from ₹1,16,823.02 crore to ₹2,21,107.40 crore i.e., an escalation by ₹1,04,284.38 crore. An expenditure of ₹1,26,849.89 crore was incurred on these projects as of June 2020. In addition to this, as per Appendix IX of the Finance Accounts, the Government has a pending liability of ₹7,072.19 crore in respect of 19 ongoing irrigation projects.

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

In respect of other Departments, 580 projects / works¹⁹ with an estimated cost of ₹16,678.54 crore remained incomplete and an expenditure of ₹9,211.55 crore was incurred as of March 2020 on these delayed projects. In addition to this, as per Appendix IX of the Finance Accounts, the Government has a pending liability of ₹716.50 crore in respect of 362 other ongoing projects / works²⁰.

2.5.3.5 Implementation of Ujwal DISCOM Assurance Yojana (UDAY) - non-discharge of commitments under UDAY

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

 ⁽i) 391 Road works with an estimated cost of ₹4,749.20 crore on which ₹2,133.58 crore was spent
 (ii) 52 Bridge works with an estimated cost of ₹295.77 crore on which ₹142.92 crore was spent
 (iii) 53 Building works with an estimated cost of ₹67.60 crore on which ₹31.20 crore was spent and
 (iv) 84 Water Supply Schemes and other projects / works with an estimated cost of ₹11,702.65 crore on which ₹6,903.85 crore was spent

²⁰ (i) 214 Road works with pending payment of ₹143.56 crore (ii) 38 Bridge works with pending payment of ₹54.36 crore (iii) 48 Building works with pending payment of ₹27.42 crore; and (iv) 62 Water Supply Schemes and other projects / works with pending payment of ₹491.16 crore

In terms of the scheme, the Government of Telangana State signed a tripartite Memorandum of Understanding (MoU) (January 2017) with the GoI and DISCOMs. As per the MoU, the State Government had to take over 75 *per cent* (₹8,923 crore) of outstanding debt (₹11,893 crore) of the DISCOMs as on 30 September 2015. Further, the State Government was also to take over the further losses in the following manner:

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

For taking over of 75 *per cent* of DISCOMs' outstanding debt, State Government borrowed an amount of ₹8,931.51 crore through UDAY bonds. It however, released only ₹7,723 crore²¹ to DISCOMs leaving a further commitment of ₹1,200 crore²² undischarged. Further, the Energy Department also issued Orders for takeover of further losses as shown in *Table 2.24*:

Table 2.24: Orders issued for discharge of commitment of UDAY

(₹ in crore)

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

Source: Government Orders concerned

However, as per the Accounts of the State Government, no amounts were released during the years 2018-19 or 2019-20. Thus, the accumulated commitment of ₹4,063.65 crore of the Government for taking over losses of DISCOMs under the UDAY scheme as agreed in the tripartite agreement remained undischarged as of end of March 2020. The current commitments stand postponed to future years besides non-achievement of objective of financial turnaround of DISCOMs as envisaged under UDAY scheme.

Further, the State Government had also not fulfilled its commitment to Telangana State Electricity Regulatory Commission (TSERC) in respect of 'Assistance to Transmission Corporation for agricultural and allied subsidy' in accordance with Section 65 of Electricity Act, 2003²³. Details are shown in *Table 2.25*.

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²¹ please refer to paragraph 2.8 of Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended March 2019 on Government of Telangana for further details

²² Calculation: ₹8,923 crore (-) ₹7,723 crore

If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Electricity Regulatory Commission (SERC), the State Government shall, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the SERC may direct as a condition for any other person concerned to implement the subsidy provided for by the State Government

Table 2.25: Details of subsidy as computed by TSERC, commitment by State Government, Budget provision and Actual expenditure

Sl. No.	Year	Computation by TSERC	Commitment by State Government	Budget	Expenditure	Commitment not discharged
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4) - (6)
1	2016-17	4,598.45	4,470.10	4,470.10	3,675.10	795.00
2	2017-18	4,797.22	4,777.04	3,680.85	2,951.42	1,825.62
3	2018-19	5,940.47	4,984.30	3,760.97	3,704.65	1,279.65
4	2019-20	*	*	5,984.00	3,872.13	2,111.87*
	Total			17,895.92	14,203.30	6,012.14

Source: Tariff Orders of TSERC, Budget documents and Appropriation Accounts

Thus, apart from non-discharge of its commitments under UDAY scheme, which was meant for financial turnaround of DISCOMs, non-release of committed subsidies would further dent the financial health of DISCOMs and in turn would adversely affect the investments and Return on Investments of the Government.

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.

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

(in per cent)

						`	1
	AE/ GSDP	SSE / AE	ESE / AE	DE / AE	CE / AE	Education/ AE	Health/ AE
General Category States Average (2015-16)	16.97	36.09	34.19	70.29	14.81	15.68	4.79
Telangana (2015-16)	16.45	39.33	35.31	74.64	14.29	11.15	3.95
General Category States Average (2019-20)	15.15	36.73	28.69	65.42	12.97	15.91	5.21
Telangana (2019-20)	13.86	39.48	32.79	72.27	12.55	9.33	5.14

Source: Finance Accounts of the States concerned

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

AE: Aggregate Expenditure, GSDP: Gross State Domestic Product, CE: Capital Expenditure, SSE: Social Sector Expenditure, DE: Development Expenditure

• The proportion of expenditure on Development (i.e., expenditure on Economic and Social Sectors) to Aggregate expenditure of Telangana has been higher than the average of other General Category States (GCS). This shows that the State gave higher priority to Development Expenditure.

^{*} As no Tariff Orders were passed for 2019-20, the budget estimates are taken for calculating the commitment not discharged

- The State has, however, been persistently trailing in respect of expenditure on Education and Health compared to the average expenditure on these by the other GCS. This was reported in the State Finances Audit Reports of the Comptroller and Auditor General of India in the earlier years also.
- As mentioned earlier in this Chapter, capital expenditure witnessed substantial decline during 2019-20 and was less than that of the average of GCS.

2.5.5 Object-wise expenditure

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

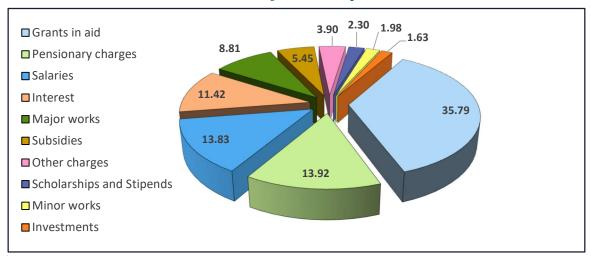


Chart 2.13: Object-wise expenditure

Source: Finance Accounts

As can be seen from the Chart, most of the expenditure was in the form of Grants-in-Aid followed by expenditure on Pensions, Salaries and Interest.

2.6 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution. These are not subject to vote by the State Legislature. The Government acts as a banker in respect of these funds. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.6.1 Net Public Account Balances

Component-wise net balances in Public Account as of 31 March of the year during the five-year period 2015-16 to 2019-20 are given in *Table 2.27*.

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

					(V III CIOIC)
Sector and Sub-Sector	2015-16	2016-17	2017-18	2018-19	2019-20
Small Savings, Provident Funds etc	862	1,069	976	845	783
Reserve Funds					
a) Reserve Funds bearing interest	220	(-)111	(-)41	288	3,226*
b) Reserve Funds not bearing interest	905	551	319	1,242	1,127
Deposits					
a) Deposits bearing interest	147	433	216	121	140
b) Deposits not bearing interest	2,070	1,478	5,645	2,976	1,266
c) Advances	(-)4	7	(-)1	3	0.01
Suspense and Miscellaneous					
a) Suspense	666	(-)50	(-)39	113	292
b) Other Accounts	740	504	(-)534	(-)773	5
c) Accounts with Governments of Foreign Countries	(-)0.02	(-)0.02	(-)0.02	(-)0.03	(-)0.02
d) Miscellaneous					
Remittances					
a) Money Orders and other Remittances	(-)58	151	(-)116	126	34
b) Inter-Governmental adjustment account	(-)80	(-)306	1,422	(-)11	(-)27
Total	5,468	3,726	7,847	4,930	6,846

Source: Finance Accounts

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

2.6.2 Reserve Funds

Reserve Funds are created for specific and defined purposes. These are funded by contributions / Grants from Consolidated Fund of the State. Out of the gross accumulated balance of ₹12,040.93 crore lying in these Funds as on 31 March 2020, an amount of ₹6,839.27 crore was invested in GoI Securities, leaving a total net accumulated balance of ₹5,201.66 crore²⁴.

The transactions during the year 2019-20 under major reserve funds are detailed below.

2.6.2.1 Consolidated Sinking Fund

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

As per the guidelines²⁵, the State Government may contribute annually to the Consolidated Sinking Fund (CSF) at 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year. Accordingly, ₹984.82 crore was to be contributed in 2019-20 on the outstanding liabilities of ₹1,96,963 crore at the end of 2018-19. However, the contribution

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

²⁴ Reserve Funds bearing Interest: ₹3,603.70 crore and Reserve Funds not bearing Interest: ₹1,597.96 crore

²⁵ G.O.Ms.No.3, Finance (DCM), dated 11 June 2014 on Revised Scheme of Consolidated Sinking Fund

of State Government in 2019-20 was only ₹300 crore. In addition to this, an interest of ₹450.16 crore was earned through the amounts invested from CSF. Thus, the total addition to CSF during the year was ₹750.16 crore and it fell short of the annual contribution by ₹234.66 crore. As of 31 March 2020, the balance in Sinking Fund was ₹5,650.73 crore, of which ₹5,610.26 crore was invested.

2.6.2.2 State Disaster Response Fund

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

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

The amount available in SDRF as of 1 April 2019 was ₹353.48 crore. During 2019-20, GoI contributed ₹487.50 crore and State Government had contributed its share of ₹162.50 crore to the fund. Out of ₹1,003.48 crore available in the Fund, an amount of ₹25.81 crore was utilised, leaving a balance of ₹977.67 crore in the Fund.

2.6.2.3 Guarantee Redemption Fund

As per guidelines of Reserve Bank of India, Government of Telangana created²⁶ (June 2014) a Guarantee Redemption Fund (GRF) to meet its obligations pertaining to the guarantees given by the Government on loans raised by bodies such as Public Sector Undertakings, Special Purpose Vehicles, *etc.*, outside of the State budget. In case of default by the borrower, these guarantees become liabilities of the State Government. As such, guarantees, generally, are contingent liabilities.

- As per the guidelines, the State Government may contribute 0.5 per cent on the guarantees outstanding as on 31 December every year, so that the minimum level of three per cent is achieved during the subsequent five years. The GRF is to be gradually increased to a desirable level of five per cent. Accordingly, ₹448 crore was to be contributed in 2019-20 on the outstanding value (₹89,601 crore) of Guarantees. State Government, however, has contributed only ₹300 crore. Thus, there was a shortfall of ₹148 crore in contribution to the GRF.
- State Government contributed ₹83.94 crore to GRF initially in 2015-16 and thereafter did not contribute in 2016-17 and 2017-18. It, however, contributed (₹200 crore) again in 2018-19. Thus, there was lack of consistency on the part of the State Government in contributing to the GRF.

²⁶ G.O. Ms. No. 4, Finance (DCM), dated 11.06.2014

- As mentioned above, a minimum level of three *per cent* was to be achieved in five years after creation of GRF (2014). Accordingly, GRF should have an amount of ₹2,688 crore (i.e., three *per cent* on ₹89,601 crore). However, the total available balance in GRF as of March 2020 was ₹1,225.25 crore²⁷, which is only 1.37 *per cent* of the outstanding amount of Guarantees. Thus, the GRF is underfunded to the extent of ₹1,462.75 crore.
- In addition to the income accrued to the GRF, the accretions by way of Guarantee Commission realised during the preceding year from the institutions etc., to which guarantee was issued, would also be transferred to the Fund account, during the succeeding year. The State Government received an amount of ₹340 crore as Guarantee Commission during 2018-19, which was required to be transferred to the GRF during 2019-20. However, this was not done.

2.6.2.4 State Compensatory Afforestation Fund

Government of Telangana State established (February 2019) a new Reserve Fund²⁸ by name "State Compensatory Afforestation Fund (SCAF)" in accordance with 'Compensatory Afforestation Fund Act, 2016 and Compensatory Afforestation Fund Rules, 2018.

During the year 2019-20, an amount of ₹3,110.38 crore (pertaining to outstanding balances available with State CAMPA prior to creation of SCAF) was received into SCAF. An amount of ₹501.26 crore was disbursed out of the Fund during the year leaving a balance of ₹2,609.12 crore in the Fund. However, the entire amount of ₹102.98 crore collected from the user agencies during 2019-20 was remitted into National Fund, as the payment gateway at State level was under establishment. Further details in this regard are given in *Paragraph 4.2.1*.

2.7 Debt Management

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

2.7.1 Debt profile: Components

Total debt of the State Government comprises (i) Internal debt of the State (Market Loans, Ways and Means Advances from RBI, 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.

²⁷ including interest earned of ₹95.06 crore during the year

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

The total outstanding debt of the State Government at the end of 2019-20 was ₹2,32,181 crore. The trend of outstanding debt and ratio of debt to GSDP during the period 2015-20 is given in *Chart 2.14*.

25 23.7 2,50,000 25 🔾 22.82 22.23 21.55 22.88 2,00,000 22 22.02 20.47 20 cent 1,50,000 18 2,32,181 16.96 1,00,000 16 1.96.963 1,65,849 1,34,738 50,000 12 97,992 2015-16 2016-17 2017-18 2018-19 2019-20 Outstanding Overall Debt ■XIV FC Target for Debt/GSDP Target as per Medium Term Fiscal Policy Statement — Debt/GSDP (per cent) achievement

Chart 2.14: Trend of total outstanding Debt

Source: Finance Accounts

The outstanding liabilities grew by 17.88 *per cent* over the previous year. As per XIV FC recommendations, the total outstanding Debt to GSDP ratio should be less than 23.77 *per cent* for 2019-20. The Government has marginally exceeded the target of XIV FC with 23.95 *per cent* Debt to GSDP. It was, however, lower than the target of 25 *per cent* as per MTFP Statement of State Government. However, if the Off-Budget Borrowings taken by various institutions on behalf of the Government are taken in to consideration, this ratio would go up to 31.29 *per cent*.

The details of total outstanding debt (i.e., Internal Debt, Loans from Government of India and Public Account Liabilities), debt receipts, debt repayments, ratio of debt to GSDP and the actual quantum of debt available to the State during 2015-20 are shown in *Table 2.28*.

Table 2.28: Component-wise Debt trends

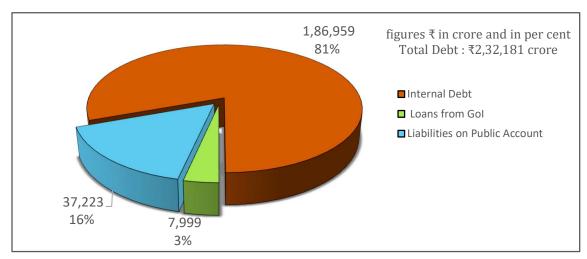
(₹ in crore)

		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding overall Debt		97,992	1,34,738	1,65,849	1,96,963	2,32,181
D 11: D 1.	Internal Debt	83,772	1,12,830	1,34,287	1,56,933	1,86,959
Public Debt	Loans from GoI	8,213	8,406	8,631	8,231	7,999
Public Account Liabilities		6,007	13,502	22,931	31,799	37,223
Rate of growth of outstanding debt (percentage)		22.67	37.50	23.09	18.76	17.88
Gross State Domestic Product (GSDP)		5,77,902	6,58,325	7,53,127	8,61,031	9,69,604
Total Outstanding Debt/GSDP (per cent)		16.96	20.47	22.02	22.88	23.95
Total Debt Receipts		61,136	91,902	1,06,641	1,17,715	1,43,870
Total Debt Repayments		43,023	59,551	78,203	91,080	1,08,652
Total Debt available		18,113	32,351	28,438	26,635	35,218
Debt Repayments/Debt Receipts (percentage)		70.37	64.80	73.33	77.37	75.52

Source: Finance Accounts

The breakup of outstanding overall Debt at the end of March 2020 is shown in *Chart 2.15*.

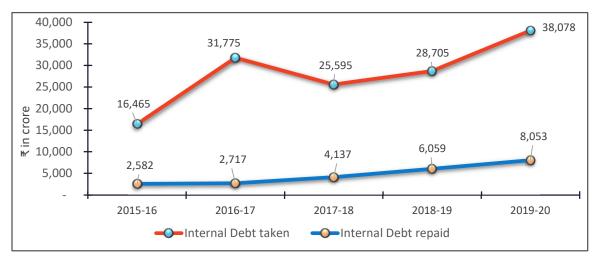
Chart 2.15: Break up of outstanding overall Debt at the end of March 2020



Source: Finance Accounts

Major portion of total outstanding debt is Internal Debt. The comparative trend of internal debt received and repaid are shown in *Chart 2.16*.

Chart 2.16: Comparative trend of internal debt taken and repaid



Source: Finance Accounts

Note: excluding Ways and Means Advances

The huge increase in 2016-17 was on account of borrowings for implementation of UDAY scheme. The gap between internal debt obtained and repaid has been widening during the past three years and increased considerably during 2019-20 as can be seen from the Chart above.

2.7.1.1 Components of Fiscal Deficit and its financing pattern

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

Table 2.29: Components of Fiscal Deficit ant its financing pattern

	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20		
Coı	Composition of Fiscal Deficit							
1	Revenue Surplus / Deficit	238	1,386	3,459	4,337	(-)6,254		
2	Net Capital Expenditure	(-)13,590	(-)33,371	(-)23,902	(-)22,641	(-)16,859		
3	Net Loans and Advances	(-)5,145	(-)3,246	(-)6,071	(-)8,640	(-)8,638		
4	Net Interstate Settlement	(-)359	(-)50	(-)186	(-)5	(-)8		
Gross Fiscal Deficit		(-)18,856	(-)35,281	(-) 26,700	(-)26,949	(-)31,759		
Fin	Financing Pattern of Fiscal Deficit							
1	Market Borrowings	12,730	20,578	21,828	22,184	30,697		
2	Special Securities issued to NSSF	431	(-)799	(-)799	(-)814	(-)827		
3	Loans from Financial Institutions	722	7,681	429	1,276	155		
4	Loans from GOI	770	193	224	(-)400	(-)232		
5	Small Savings, PF, etc.	862	1,069	976	845	783		
6	Deposits and Advances	2,213	1,918	5,860	3,100	1,406		
7	Suspense and Miscellaneous	1,405	454	(-)573	(-)660	297		
8	Remittances	(-)139	(-)155	1,306	115	7		
9	Reserve Fund	1,126	440	278	1,530	4,353		
10	Net Contingency Fund	0	(-)0.09	0	(-)2.01	(-)2.11		
11	Total	20,121	32,977	29,529	27,174	36,637		
12	Increase (-) /Decrease (+) in Cash Balance	(-)1,265	2,304	(-)2,829	(-)225	(-)4,878		
Gı	ross Fiscal Deficit financed (11+12)	18,856	35,281	26,700	26,949	31,759		

Source: Finance Accounts

Receipts and Disbursements under components financing the Fiscal Deficit for the year 2019-20 are detailed in *Table 2.30*.

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

(₹ in crore)

	Particulars	Receipts	Disbursements	Net
1	Market Borrowings	37,109	6,412	30,697
2	Special Securities issued to NSSF	0	827	(-)827
3	Loans from Financial Institutions	38,217	38,062	155
4	Loans from GOI	207	439	(-)232
5	Small Savings, PF, etc.	2,618	1,835	783
6	Deposits and Advances	60,402	58,996	1,406
7	Suspense and Miscellaneous	1,045	748	297
8	Remittances	13,860	13,853	7
9	Reserve Funds	4,935	582	4,353
10	Net Contingency Fund	2.10	4.21	(-)2.11
11	Overall Deficit	1,58,395	1,21,758	36,637
12	Increase/Decrease in Cash Balance	•••		(-)4,878
13	Gross Fiscal Deficit			31,759

Source: Finance Accounts

In 2019-20, Capital Expenditure accounted for only 55 *per cent* of Market Borrowings and 53 *per cent* of Fiscal Deficit (*Table 2.29*). It may also be noted that 97 *per cent* of the Fiscal Deficit was financed from Market Borrowings.

40,000 35,281 35,000 31.759 26,949 30,000 26,700 30,697 25,000 22,641 18,856 20.000 16,859 ,828 13,590 15,000 D.578 10,000 2015-16 2016-17 2017-18 2018-19 2019-20 ■ Capital Expenditure Fiscal Deficit Market Borrowings

Chart 2.17: Comparative trend of Capital Expenditure, Fiscal Deficit and Market Borrowings

Source: Finance Accounts

Ideally, market borrowing should be utilised for creation of capital assets. However, as can be seen from the above chart, market borrowings were utilised for financing fiscal deficit.

2.7.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Maturity profile of Public Debt is detailed in *Chart 2.18*.

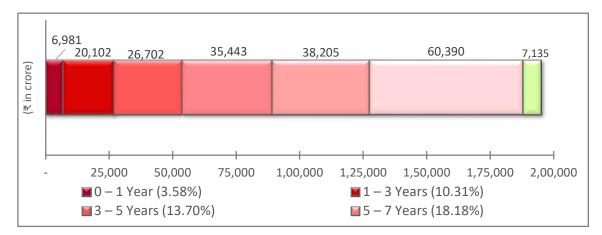


Chart 2.18: Maturity profile of State debt

Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2020 showed that 46 per cent (₹89,228 crore) of the total outstanding debt is to be repaid in next seven years. The State needs to augment its resources to meet the increasing debt repayment burden over the next seven years.

Out of ₹37,109 crore market borrowings during 2019-20, repayment of ₹14,089 crore is due during the years 2049-2060. This indicates that in respect of 38 *per cent* of the loans

taken during the year, the Government has resorted to borrowing with longer maturity with interests ranging from 6.94 *per cent* to 7.31 *per cent*.

Apart from the above the Government has also been resorting to Off-Budget Borrowings, which entail the liability of repayment by the Government as detailed below.

2.7.3 Off-Budget Borrowings

Off-Budget Borrowing (OBB) or off-budget financing generally refers to use of those financial resources by the Government for meeting expenditure requirements in a particular year or years, which are not reflected in the budget for that year/ those years for seeking grant/appropriation, hence remaining outside legislative control. These 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 (a) payment of interest on recurrent basis and (b) repayment of the borrowings from budget as and when it is due.

The FRBM Act provides debt management framework through containing revenue and fiscal deficits. Prudential borrowing norms suggest that borrowed funds should be deployed in such a manner that return from deployment of borrowed funds is more than borrowing cost of debt to be sustainable. It is therefore essential that there should be a policy framework for deployment of borrowed funds keeping in mind cost of borrowing and potential for increase in income.

As per Article 293(1) of the Constitution of India, the State Governments can borrow within the territory of India, upon the security of the Consolidated Fund of the State within the limits fixed by State Legislature. The limit as per TSFRBM Act is three *per cent* of the estimated GSDP. The State Governments can also give Guarantees within limits as fixed by State Legislature.

Government of Telangana has been intimating the State Legislature over the last four years during presentation of Budget that it would implement certain flagship socio-economic schemes like Mission Bhagiratha, Kaleshwaram Project, Two bed-room Housing scheme etc. through OBB. However, it has not quantified the exact quantum of such borrowings in any of the Budget nor did it provide specific disclosure relating to the entities through which it planned to channelize extra budgetary resources.

In order to ascertain the extent of such Off-Budget Borrowings / Extra Budgetary Resources, Audit addressed the Public Sector Undertakings (PSUs) / Autonomous Bodies (ABs) implementing the concerned schemes/projects to provide the requisite information. Seven PSUs and three ABs informed Audit that they had mobilized ₹16,077.04 crore during 2019-20 and ₹85,380.96 crore to the end of March 2020 from various Banks on behalf of the Government, for which, principal and interest would be serviced out of the State Budget. Details in this regard are in *Table 2.31*:

Table 2.31: Borrowings by PSUs / ABs on behalf of State Government during 2019-20

(₹ in crore)

						(₹ in crore)
Sl. No.	Institution	PSU /AB	Borrowings during 2019-20	Borrowings by institution as of March 2020	Guarantee provided by Government as of March 2020	Funds provided (in the form of loans) by Government for payment of interest / repayment of loan
1	Kaleshwaram Irrigation Project Corporation Limited	PSU	12,644.89	42,741.79	35,086.37	326.95
2	Telangana Drinking Water supply Corporation Limited	PSU	1,391.39	25,375.62	24,021.00	2,810.73
3	Telangana State Housing Corporation Limited	PSU	1,519.76	6,344.76		821.85
4	Telangana State Horticulture Development Corporation Limited	PSU	0.00	874.00	702.25	251.29
5	Telangana State Industrial Infrastructure Corporation Limited	PSU		735.07	596.25	222.71
6	Telangana Seeds Development Corporation	PSU	93.50	293.08		
7	Musi Riverfront Development Corporation Limited	PSU	7.50	12.50		
8	Telangana State Power Finance Corporation Limited	PSU		ŀ	3,151.00	287.35
9	Hyderabad Metropolitan Water Supply and Sewerage Board	AB	300.00	4,914.00	3,481.51	825.00
10	Telangana State Sheep and Goat Development Cooperative Societies Limited	AB		3,505.76	2,826.43	820.64
11	Telangana Fishermen Co-operative Societies Federation Limited	AB	120.00	584.38	479.50	122.24
12	Telangana State Dairy Development Co-operative Federation Limited	AB			343.58	68.50
	Total		16,077.04	85,380.96	70,687.89	6,557.26

Source: Finance Accounts, Information furnished by the PSUs/ABs concerned, Government Orders

As can be seen from the above table, Government mobilised ₹85,380.96 crore through OBB/ Extra Budgetary Resources to the end of March 2020 and ₹16,077.04 crore during

2019-20. Against the borrowings of ₹85,380.96 crore, the outstanding guarantees extended by the State Government to the lending institutions as of end of March 2020 stood at ₹70,687.89 crore.

During the year 2019-20, the State Government provided an amount of ₹6,557.26 crore from out of budget towards repayment of principal and/ or payment of interest. However, these amounts were provided to the concerned entities as 'Loans' and reflected in the Accounts of the Government as Assets, which indicate that the concerned entities will have the obligation to repay the loans to State Government. This also impacts the transparency of reporting financial transactions.

Further, the Detailed Project Report (DPR) of Kaleshwaram Project stated that the project would hardly generate any revenue, as water for irrigation purposes was being provided at nominal rates (since the command area lies in the drought prone districts of Telangana) and no analysis of the revenues was made in the DPR.

Telangana State Sheep and Goat Development Cooperative Federation Limited did not have any definite stream of revenue resource of its own and was, in fact, implementing a Government subsidy scheme.

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

Table 2.32: Liabilities of State Government in the nature of Off-Budget Borrowings

Sl. No	Particulars	Amount (₹ in crore)
a.	Off budget fiscal operations such as borrowings by State Public Sector Companies, SPVs and other equivalent instruments on behalf of the State Government where the principal and/ or interest are to be serviced out of the State budgets	70,687.89
b.	Non-reimbursement of the Principal/interest component by the State Government to State Public Sector Companies/ Corporations, SPVs etc. of the loan taken by them on behalf of the State Government: (i) In respect of Telangana State Seeds Development Corporation for the year 2019-20 (₹304.62 crore) (ii) In respect of Telangana State Industrial Infrastructure Corporation Limited pertaining to previous years (₹81.91 crore towards interest)	386.53
c.	Deployment of own funds by the State Public Sector Companies/Corporations, SPVs etc. for execution of the Deposit work of the State Government which was to be financed by the State Government through borrowings (Hyderabad Road Development Corporation)	57.21
	Total of (a + b + c)	71,131.63

Source: Finance Accounts, Information furnished by the PSUs/ABs concerned

State Government stated (March 2021) that OBB were being utilised fully for creation of assets and hence, if OBBs are considered for re-calculating the fiscal parameters of the State, the expenditure incurred through OBBs may be considered as capital expenditure of the State. It was further stated that major projects like Mission Bhagiratha and

Kaleshwaram Lift Irrigation were entrusted to Special Purpose Vehicles (SPVs) which raised funds from Banks/financial institutions for implementation of the schemes and they would explore possibilities to repay the loans from their own resources, and that, Government provides financial assistance to these agencies in the form of loans depending on its Ways and Means position.

Government has not made available its policy, if any, with regard to deployment of borrowed funds. Without clear policy guidelines in this regard, there is a risk of utilising these funds in areas which do not generate enough returns to cover future debt servicing needs.

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

2.7.4 Debt Sustainability

Debt sustainability is defined as the ability of the State to service its debt now and in future. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to maintain balance between costs of additional borrowings, with returns from such borrowings. *Table 2.33* analyses the sustainability of debt of the State according to generally accepted indicators:

Table 2.33: Debt Sustainability -Indicators and Trends

(₹ in crore)

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	91,985	1,21,236	1,42,918	1,65,164	1,94,958
Rate of Growth of Outstanding Public Debt	18.95	31.8	17.88	15.57	18.04
GSDP	5,77,902	6,58,325	7,53,127	8,61,031	9,69,604
Rate of Growth of GSDP	14.24	13.92	14.40	14.33	12.61
Public Debt/GSDP	15.92	18.42	18.98	19.18	20.11
Maturity profile of repayment of State Public Debt – including default history, if any	46,188	56,388	65,740	76,262	89,228
Average interest Rate of Outstanding Public Debt (per cent)	8.93	8.08	8.2	8.17	7.99
Percentage of Interest payment to Revenue Receipt	9.93	10.4	12.2	12.41	14.03
Percentage of Public Debt Repayment to Public Debt Receipts	59.19	36.94	58.65	66.85	59.72
Net Public Debt available to the State#	7,095	20,641	10,846	9,660	15,407
Net Public Debt available as <i>per cent</i> to Public Debt Receipts	40.81	63.06	41.35	33.15	40.28
Debt Stabilisation (Quantum spread + Primary Deficit)	(-)3,783	(-)17,688	(-)7,560	(-)7,789	(-)8,678

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

- The outstanding Public debt increased by 18.04 *per cent* over the preceding year, at a higher rate than the growth of GSDP, which grew by 12.61 *per cent*.
- After providing for Public Debt Repayments (₹45,740 crore) and interest payments (₹14,386 crore) out of Public Debt Receipts (₹75,533 crore) the Net Public Debt available for purposes other than debt servicing was ₹15,407 crore (20 per cent).
- The ratio of outstanding Public Debt to GSDP increased from 15.92 *per cent* in 2015-16 to 20.11 *per cent* in 2019-20.
- Interest payments are increasingly consuming Revenue Receipts as evidenced from their increase from 9.93 *per cent* of RR in 2015-16 to 14.03 *per cent* of RR in 2019-20. This was higher than the 8.39 *per cent* projected for States by XIV FC.

2.7.4.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Details of utilization of borrowed funds is shown in *Table 2.34*.

Table 2.34: Utilisation of borrowed funds

(₹ in crore)

Sl. No.		2015-16	2016-17	2017-18	2018-19	2019-20
1	Total Borrowings	61,136	91,902	1,06,641	1,17,715	1,43,870
2	Repayment of earlier borrowings	43,023	59,551	78,203	91,080	1,08,652
	(Principal) (percentage)	(70.37)	(64.80)	(73.33)	(77.37)	(75.52)
2	Net Capital Expenditure	13,590	33,371	23,902	22,641	16,859
3	(percentage)	(22.23)	(36.31)	(22.41)	(19.23)	(11.72)
4	Net Loans and Advances	5,145	3,246	6,071	8,640	8,638
-	(percentage)	(8.42)	(3.53)	(5.69)	(7.34)	(6.00)
5	Portion of Revenue Expenditure that was met out of net available borrowings	(-)622	(-)4,266	(-)1,535	(-)4,646	9,721
	(=1-2-3-4) (percentage)	(-1.02)	(-4.64)	(-1.44)	(-3.95)	(6.76)

Source Finance Accounts

Borrowings have been increasing over the years as can be seen from the above Table. During 2019-20, while borrowings have gone up by ₹26,155 crore over the previous year, revenue expenditure met out of net available borrowings has also increased significantly (₹9,721 crore) during the year, which raises concerns about non-sustainability of debt. Trends of utilisation of borrowed funds are shown in *Chart 2.19*.

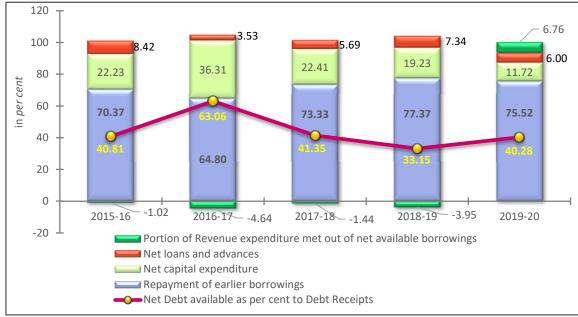


Chart 2.19: Trend of utilisation of borrowed funds

Source: Finance Accounts

2.7.4.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The details of outstanding guarantees given by the State Government during the period 2015-20 are shown in *Table 2.35*.

Table 2.35: Guarantees given by the State Government

(₹ in crore)

Sl. No.		2015-16	2016-17	2017-18	2018-19	2019-20
1	Ceiling applicable to outstanding value of Guarantees including interest (Criteria)*	45,938	69,241	74,536	79,942	2,02,840
2	Outstanding value of Guarantees including interest	26,619	29,965	41,892	77,713	89,601

Source Finance Accounts

The outstanding Guarantees (₹89,601 crore) at end of March 2020 stood at 88 per cent of total Revenue Receipts of the preceding year (i.e., ₹1,01,420 crore in 2018-19). Thus, the outstanding Guarantees were well within the revised (September 2020) TSFRBM ceiling of 200 per cent.

Out of the total loans guaranteed by the Government, 66 *per cent* pertained to only two Special Purpose Vehicles *viz.*, (i) Telangana Drinking Water Supply Corporation Limited for implementation of a flagship project: Mission Bhagiratha (₹35,086 crore) and (ii) Kaleshwaram Irrigation Project Corporation Limited for implementation of Kaleshwaram Project (₹24,021 crore) as shown in *Chart 2.20*.

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



Chart 2.20: Major institutions to which State Government provided Guarantees as of 31 March 2020

Source Finance Accounts

The erstwhile Government of Andhra Pradesh issued (September 2003) instructions²⁹ to be followed while providing guarantees. Audit verified compliance by the State Government with the instructions contained in the Government Order while extending guarantees during 2019-20 and observed the following:

- Government gave orders for providing guarantees to (i) Telangana State Civil Supplies Corporation Limited (January 2020) for ₹2,000 crore for stop gap financial arrangement in addition to the ₹18,000 crore guarantees already given and (ii) Telangana State MARKFED (November 2019) for ₹1,527.15 crore. However, these were not disclosed in the Statement of Fiscal Policy laid on the table of Legislature (March 2020).
- Further, the Government had also given orders for providing an additional guarantee of ₹3,213 crore to Telangana State MARKFED to obtain credit facility from National Cooperative Development Council / Banks / Financial Institutions for procurement of Maize at the fag end of the year (30 March 2020).
- The Government Order required that the financial performance of the borrowing entity shall be analysed in terms of its profitability, operational strength, and financial ratios. However, Government extended Guarantees (₹3,482 crore) to loans taken by Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) whose annual accounts were in arrears from 2010-11 onwards.
- Government Order stipulated that the Administrative Departments in Secretariat and Heads of Departments shall evaluate the fiscal risk and classify the Guarantees as direct liability (100 per cent risk), high risk (75 per cent), medium risk (50 per cent),

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

low risk (25 per cent) and very low risk (5 per cent) based on factors like (i) debt servicing through Government support, (ii) repayment scheduled, (iii) financial performance of the entity, (iv) primary security, (v) valuation of assets and (vi) statutory liabilities prior to Government guaranteed debt.

The Finance Department, in the Statement of Fiscal Policy to be laid on the table of Legislature (March 2020) classified Guarantees worth ₹77,754 crore as having medium risk, ₹3,860 crore as having low risk and ₹7,987 crore as having very low risk. Previously, in Statement of Fiscal Policy laid on the table of Legislature in March 2018, the Government classified all the Guarantees as on that date (₹41,539 crore) as having direct liability.

However, the Finance Department could not provide any evidence regarding the risk evaluation or analysis of financial performance of entities conducted by the Departments concerned.

On the other hand, four entities³⁰ informed audit that they undertook borrowings (₹69,726.48 crore) on behalf of the Government. Further, majority of the Guarantees provided by the Government to institutions were for implementing Government schemes and in 2019-20, the Government has facilitated repayment of principal or payment of interest, *albeit*, in the form of providing further loans to those institutions indicating that the servicing of debt by these entities was exclusively through Government support. Therefore, such Guarantees could be construed as direct liabilities.

• Further, the GO also stipulated a Guarantee Commission of 0.5 per cent per annum or two per cent consolidated for the entire guarantee period from the borrowing entity. As such, Guarantee Commission of ₹448 crore³¹ was to be received by the Government to the end of March 2020 from 25 institutions to which Guarantees of ₹89,601 crore were provided. In addition, Guarantee Commission of ₹134.80 crore³² was also receivable on ₹2,000 crore Guarantee provided to TSCSC and ₹4,740.15 crore Guarantees provided to TS MARKFED as per the Government Orders issued during the year. No Guarantee Commission, however, was received during the year.

During the Exit Conference (March 2021), Government assured that it would review these aspects.

^{30 (}i) Kaleshwaram Irrigation Project Corporation Limited (₹42,741.79 crore), (ii) Telangana Drinking Water Supply Corporation Limited (₹25,375.62 crore), (iii) Telangana Horticulture Development Corporation (₹874.00 crore) and (iv) Telangana State Industrial Infrastructure Corporation Limited (₹735.07 crore)

 $^{^{31}}$ calculated at a rate of 0.5 *per cent* on the total guaranteed amount of ₹89,601 crore

³² ₹40 crore Guarantee Commission from TSCSC and ₹94.80 crore from TS MARKFED (calculated at a rate of two *per cent* on guaranteed amounts of ₹2,000 crore and ₹4,740.15 crore respectively)

2.7.4.3 Management of Cash Balances

(i) Ways and Means Advances

As per an agreement with the Reserve Bank of India (RBI), 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 (SDF³³) 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 operative limit for SDF was ₹1,963.72 crore and that of WMA was ₹1,080.00 crore after exhausting SDF.

State Government maintained the mandatory minimum daily Cash Balance of ₹1.38 crore with RBI for 279 days during the year. It depended on SDF for 87 days (amounting to ₹28,914.75 crore), WMA for 35 days (amounting to ₹6,754.20 crore) and OD for 8 days (amounting ₹1,578.64 crore) to maintain minimum balance with RBI. In 2018-19 the State Government has depended on SDF for 168 days, WMA for 135 days and OD for 32 days. Thus, the number of days on which the Government depended on WMA facilities has decreased in 2019-20. In monetary terms, however, the total amount of SDF, WMA and OD significantly increased by ₹15,424.32 crore (71 *per cent*) to ₹37,247.59 crore in 2019-20 from ₹21,823.27 crore in 2018-19. Comparative position between 2018-19 and 2019-20 in respect of dependency of Government on WMA is shown in *Chart 2.21*.

180 30,000 28,915 160 25,000 140 20,000 120 Number of days 100 168 15,000 13,617 80 10.000 60 87 135 6,754 2,600 40 5,606 1,579 5,000 20 2018-19 SDF 2019-20 SDF 2018-19 WMA 2019-20 WMA 2018-19 OD

Chart 2.21: Status of drawl of WMA during 2019-20 vis-à-vis 2018-19

Source Finance Accounts

Dependency of the State Government on WMA increased the burden of interest payments as well. Interest payments on drawl of WMA (including SDF and OD) during 2019-20 was ₹29.19 crore as against ₹15.44 crore in 2018-19, *i.e.*, an increase of 89 *per cent*.

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previously known as Special Ways and Means Advances

(ii) Investment of Cash Balances

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

The State Government's Cash Balances at the end of March 2020 amounted to ₹12,095.82 crore including Deposits with RBI ((-) ₹1,689.15 crore), investment in cash balance investment account (₹6,945.39 crore) and investment in earmarked funds (₹6,839.58 crore) *viz*. Sinking Fund (₹5,610.26 crore) and Guarantee Redemption Fund – Investment Account (₹1,225.25 crore). *Table 2.36* depicts the Cash Balances and their investment during the year.

Table 2.36: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries		
Deposits with Reserve Bank of India	(-)93.29	(-)1,689.15
Deposits with other Banks		
Remittances in transit – Local	2.07	
Total	(-)91.22	(-)1,689.15
Investments held in Cash Balance investment account	1,588.95	6,945.39
Total (A)	1,497.73	5,256.24
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers		-
Permanent advances for contingent expenditure with department officers	0.30	0.31
Investment in earmarked funds	5,719.69	6,839.27
Total (B)	5,719.99	6,839.58
Total (A + B)	7,217.72	12,095.82
Interest realized	22.97	7.98

Source Finance Accounts

The Cash Balance investments of the State during the period 2015-20 are shown in *Table 2.37*.

Table 2.37: Cash Balance Investment Account

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	1,870.35	2,503.94	633.59	96.72
2016-17	2,503.94	52.59	(-)2,451.35	40.31
2017-18	52.59	2,277.42	2,224.83	17.43
2018-19	2,277.42	1,588.95	(-)688.47	22.97
2019-20	1,588.95	6,945.39	5,356.44	7.98

Source Finance Accounts

The State Government earned an interest of ₹7.98 crore during the year 2019-20 from the investments made in GoI Securities and Treasury Bills, which was significantly lower than the ₹22.97 crore earned during the previous year.

Daily balances of Cash Balance Investment Account are shown in *Chart 2.22*.

70,00,00,00,000 60,00,00,00,000 50,00,00,000,000 40,00,00,000,000 20,00,00,00,000 10,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,00,000 01,00,00,000 01,00,00,000 01,00,00,000 01,00,00,000 01,00,00,000 01,00,000 01,00,000 01,00,000 01,00,000 01,00,000 01,00,000 01,00,000 01,00

Chart 2.22: Cash Balance Investment Account during 2019-20

Source Information furnished by Accountant General (A&E)

Cash Investments have occurred more in the months of September 2019, November 2019, February 2020 and March 2020.

A comparative position of market borrowing vis-à-vis Cash Balances during each month is depicted in *Chart 2.23*.

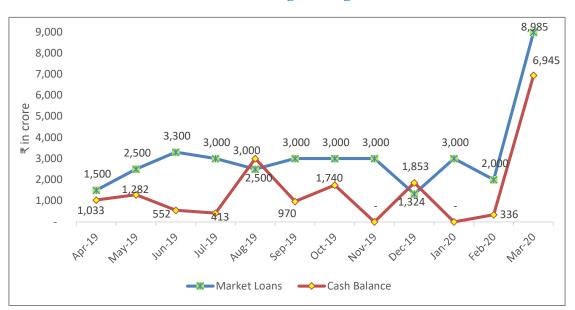


Chart 2.23: Month-wise movement of Cash Balances Investment Account and Market Borrowings during 2019-20

Source Information furnished by Accountant General (A&E)

2.8 Apportionment of Assets and Liabilities between Andhra Pradesh and Telangana

As per the Andhra Pradesh State Reorganisation Act, 2014, the balances under Cumulative Capital Expenditure, Loans and Advances, Public Debt and the balances under Public account are to be apportioned between the successor States of Andhra Pradesh and Telangana. The status of apportionment as of 31 March 2020 was as follows:

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

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

As per IX Schedule of Andhra Pradesh Re-organisation Act, 2014, a total of 91 institutions, including Companies and Corporations were to be de-merged. An Expert Committee constituted for the purpose in May 2014 gave recommendations for de-merger in respect of all 91 institutions. The Telangana Government was yet to take a decision in the matter as of end of March 2020, since it had concerns on inadequate information about unutilised bank deposits relating to 23 out of these 91 institutions (*Appendix 2.1*).

2.9 Conclusion

Revenue receipts of the State increased marginally by ₹1,124 crore (1.11 per cent) while revenue expenditure increased by ₹11,715 crore (12.07 per cent) during the year 2019-20 over the previous year, resulting in the State registering a Revenue Deficit for the first time in 2019-20 during the five-year period 2015-2020. Key fiscal targets prescribed by the TSFRBM Act relating to Fiscal Deficit and ratio of total outstanding liabilities were achieved. About 97 per cent of Fiscal deficit was financed through market borrowings.

Committed expenditure on interest payments increased by ₹1,800 crore (14.30 per cent) over the previous year. At 14.03 per cent, interest payments relative to Revenue Receipts were higher than the target of 8.39 per cent fixed by XIV Finance Commission.

During 2019-20, the State continued to spend less on Education and Health as a proportion of its aggregate expenditure vis-à-vis the other General Category States.

State Government did not bestow required attention to asset creation during the year and capital expenditure dipped in comparison to the preceding year. Huge capital was blocked due to delays in completion of irrigation projects.

State Government has not discharged its commitment of ₹4,063.65 crore for taking over losses of DISCOMs under the UDAY scheme as agreed in the tripartite agreement with GoI and the DISCOMs as of end of March 2020. The current commitments stand

postponed to future years besides non-achievement of objective of financial turnaround of DISCOMs as envisaged under UDAY scheme.

Outstanding Public debt at the end of the year has increased by 18.04 *per cent* over the preceding year. In fact, its growth rate was higher than that of GSDP, which grew at 12.61 *per cent*. Nearly half of the total outstanding Public Debt (46 *per cent*) is to be repaid over the next seven years, indicating the need for the State to augment its resources to meet the repayment burden. State Government has also a liability for off-budget borrowings of ₹71,131.63 crore to the end of March 2020 (₹16,077.04 crore during the year 2019-20) taken by various entities on its behalf, which it has not disclosed appropriately as part of its budget documents. This has the impact of diluting public financial management and oversight role of the Legislature and placing major sources of funding of Government's crucial socio-economic projects beyond the control of the Legislature.

2.10 Recommendations

- i. State Government needs to make stringent efforts to mobilise additional revenue resources to fund its various socio-economic developmental schemes rather than through debt financing its revenue expenditure.
- ii. Capital expenditure needs to be increased significantly for asset creation and provide stimulus for economic growth. Execution of projects need to be monitored closely and irrigation projects need to be completed expeditiously to derive the intended benefits.
- iii. State Government needs to honour its commitments with regard to UDAY scheme to ensure financial and operational turnaround of State DISCOMs.
- iv. State Government needs to disclose properly its off-budget borrowings by way of loans taken through Special Purpose Vehicles/ Public Sector Undertakings/ Autonomous Bodies for implementation of Government schemes, to ensure transparency and accountability with regard to fund management and compliance with TSFRBM norms.

Chapter 3 **Budgetary Management**

3.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of 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 the Budget Circular by the Finance Department providing guidance to the Departments in framing their estimates, for the ensuing financial year. Budget preparation process of the State Government is given in *Chart 3.1*.

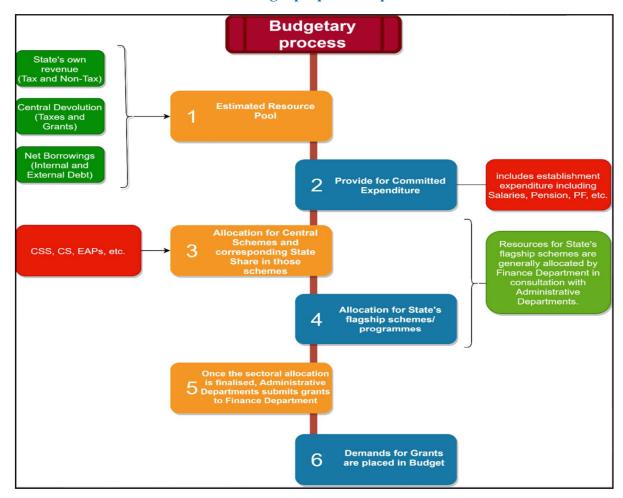


Chart 3.1: Budget preparation process

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

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

Supplementary or additional Grant/Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Further, the State Government also re-appropriates/re-allocates funds from various Units of Appropriation where savings are anticipated within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) to Units where additional expenditure is envisaged (within the Grant/Appropriation) during the year by 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 Re-Expenditure Budget appropriations (Charged and Voted) Total Budget For transfer approved by from one Unit Excess Legislature expenditure (Charged and to another Voted) within the Supple-(or) Grant and mentary within same Savings Charged and 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 1.5* with effect from the year 2017-18, Government of Telangana dispensed with Plan and Non-Plan budgets and replaced these with "Pragathi Paddu (Scheme Expenditure)" and "Nirvahana Paddu (Expenditure for Establishment / Maintenance)".

3.2.1.2 Special Development Fund

State Government enacted (March 2017) Telangana State Scheduled Castes and Scheduled Tribes Special Development Fund (Planning, Allocation and Utilization of Financial Resources) Act, 2017. The State Government is preparing sub-budgets - Scheduled Castes Special Development Fund and Scheduled Tribes Special Development Fund, which apportion the total Pragathi Paddu outlays in a Financial year, based on population of Schedules Castes (15.45 per cent) / Schedules Tribes (9.08 per cent) in the State. Special Development Funds of the Departments shall include the schemes that secure direct and

quantifiable benefits to the Scheduled Castes / Scheduled Tribe individuals or households or habitations or areas.

Audit analyses of utilisation of funds provided under Special Development Fund are detailed in *paragraph 3.4.6*.

3.2.2 Outcome / Performance Budget

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

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

Telangana State Government has prepared Outcome Budgets in respect of all the 40 Grants for 2019-20 which were presented before the Legislature along with Budget documents.

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 Article 204 and 205 of the Constitution of India. These Accounts depict the Original Budget Provision, Supplementary Grants, surrenders and re-appropriations distinctly. They also indicate actual Capital and Revenue 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 is within authorisations given under the Appropriation Act and that the expenditure required to be charged under provisions of the Constitution is so charged. It also ascertains whether expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

3.3.2 Summary of total provision and actual expenditure during 2019-20

A summarised position of total budget provision, disbursement and saving/excess during the year 2019-20 is given in *Table 3.1*.

Table 3.1: Budget Provision, disbursement and savings/excess during the financial year 2019-20

(₹ in crore)

Voted /	Nature of Expen-	Original Grant /	Supple- mentary Grnat/	Total	Actual	Savings (-) / Excess (+) with	Savings (-) / Excess	Surrender d March	***
Charged	diture Ap	Appro- priation	Appro – priation	1000	Expenditure	reference to Total Budget	(+) in per- centage	Amount	per cent
	Revenue	96,230.93	8,388.20	1,04,619.13	1,00,818.88	(-) 3,800.25	(-)3.63	12,873.75	12
	Capital	17,140.35	14,383.27	31,523.62	17,065.58	(-) 14,458.05	(-)45.86	12,303.60	39
Voted	Loans and Advances	8,896.02	1,058.41	9,954.43	8,707.69	(-) 1,246.74	(-)12.52	1,613.08	16
	Total Voted	1,22,267.30	23,829.88	1,46,097.18	1,26,592.14	(-) 19,505.04	(-)13.35	26,790.43	18
	Revenue	14,879.74	357.63	15,237.37	14,908.48	(-) 328.89	(-)2.16	360.51	2
	Capital	134.32	69.98	204.30	15.46	(-) 188.84	(-)92.43	188.84	92
Charged	Public Debt Repayment	9,265.77	1,000.00	10,265.77	45,740.03	35,474.26	345.56	673.35	7
	Total Charged	24,279.83	1,427.61	25,707.44	60,663.97	34,956.53	135.98	1,222.70	5
	Appropriation to Contingency Fund		Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grant Total		1,46,547.13	25,257.49	1,71,804.62	1,87,256.11	15,451.49	8.99	28,013.13	16

Source: Appropriation Accounts

Note: Out of the expenditure of ₹1,87,256.11 crore, an amount of ₹679.98 crore was transferred to PD Accounts (Head of Account: 8443-106)

As can be seen from the above table, while the total provision in 2019-20 was ₹1,71,804.62 crore, the actual gross expenditure during the year was ₹1,87,256.11 crore (109 *per cent* of the provision). There was an overall excess expenditure of ₹47,896.44 crore in 21 Grants and 4 Appropriations and savings of ₹32,444.95 crore in 37 Grants and 9 appropriations resulting in a net excess expenditure of ₹15,451.49 crore.

However, except for the Charged item of Public Debt repayment, there was a saving in other Voted Heads of expenditure. The total saving in all the Heads other than Public Debt repayment amounted to ₹20,022.76 crore compared to the allocation of ₹1,61,538.84 crore. Public Debt repayment includes an amount of ₹37,247.59 crore towards repayment of Ways and Means Advances obtained during 2019-20. The State Government incurred ₹2,084.03 crore without any provision in the Budget during 2019-20. This excess payment was not supported by budgetary provision (neither original nor supplementary budget) and was, thus, unauthorised.

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

3.3.3 Utilisation of budgeted Funds

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

1,87,256 2.00.000 (109%) 1,99,050 1,79,571 1.72.269 1,71,805 1,50,000 1,61,570 1,49,128 (81%) 1,39,359 (₹ in crore 1,40,606 (83%) (82%) 1,00,000 1,04,098 (74%) 50,000 2015-16 2016-17 2017-18 2018-19 2019-20 ■ Total Provision Expenditure

Chart 3.3: Total Provision and Expenditure during the period 2015-16 to 2019-20

Source: Appropriation Accounts of the years concerned

Budgetary allocation utilised during the period 2015-16 to 2018-19 was less than 85 *per cent*. However, in 2019-20, expenditure exceeded the total provision.

3.3.4 Trend of Charged and Voted expenditure

The trend of Charged and Voted expenditure during the past five years is shown in *Chart 3.4*.

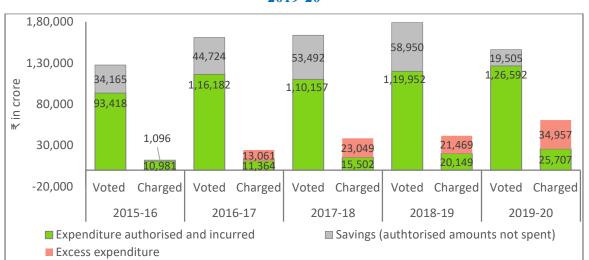


Chart 3.4: Charged and Voted expenditure during the five-year period 2015-16 to 2019-20

Source: Appropriation Accounts

There was excess expenditure consistently across the years under Charged Section since 2016-17, mainly on account of Repayment of Ways and Means Advances, which was taken

temporarily to bridge shortage in daily resources. There were savings under Voted section every year during the five-year period.

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 the PAC of Andhra Pradesh State Legislature in January 2013, have been adopted for comments on the Appropriation Accounts of the Government of Telangana.

(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 **Savings** saving/excess under individual subheads exceeds 10 per cent of the provision or ₹100 lakh whichever is higher. (b) When the overall saving under a grant or charged appropriation is 5 per cent or above of the total provision, comments on saving/excess against individual subheads are included when the saving/excess under individual subheads exceeds 10 per cent of the provision or ₹50 lakh whichever is higher. (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 Excess the excess under individual sub-heads is ₹25 lakh and above. (c) Comments on savings (in excess grant) under individual sub-heads are included when the saving under individual sub-heads exceeds 10 per cent of the provision or ₹50 lakh, whichever is higher.

Accountant General (A&E) provided the draft Appropriation Accounts to the Departments and sought the reasons/explanations for the excess/savings at Sub-head level. Audit of Appropriation Accounts of 2019-20 and an analysis of the underlying accounting data revealed that the Controlling Officers have not provided explanation for the variations in the expenditure *vis-à-vis* budgeted allocation. The total number of Sub-Heads in the accounts, those requiring explanation for variation, and the Sub-Heads where explanation was received for variations from allocations, are given in *Chart 3.5*:

Total Number of Sub-Heads 2,282

No. of Sub-Heads requiring explanation for variations 862

No. of cases where explanation was received for variations Nil variations

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

Source: Appropriation Accounts

Absence of explanation for variation between the budgeted allocation and its utilisation limits legislative control over budget as a means of ensuring financial accountability of the Government.

3.4 Integrity of budgetary and accounting process

3.4.1 Expenditure incurred without authority of law

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

In respect of Panchayat Raj Grant (Revenue Charged Section), the entire expenditure of ₹0.56 crore was incurred without any budget provision towards payment of land compensation. This was based on Budget Release Orders (BRO) (November 2019) providing funds with a stipulation to obtain approvals for Supplementary Estimates at an appropriate time. However, approval of Legislature was not obtained for Supplementary Estimates.

The State Government has incurred in all, a total expenditure of ₹2,084.03 crore without any budget provision under 60 Sub-Heads:

Table 3.2: Expenditure without Budget provision during 2019-20

Number of Grants / Appropriations	Number of Major Heads	Number of Sub- Heads	Expenditure (₹ in crore)
27	40	60	2,084.03

Source: Appropriation Accounts

• Out of the above, an expenditure of ₹1,186.58 crore was incurred under Grant 'Revenue, Registration and Relief', Major Head of Account 'Relief on account of Natural Calamities' on Sub-Head 'Covid-19 Pandemic'. While this expenditure

was obviously not budgeted for, it was unavoidable in view of the unforeseen pandemic. Similarly, an expenditure of ₹55.50 crore was spent under Grant 'Medical and Health', Major Head of Account 'Medical and Public Health' on Sub-Head 'Assistance to Health Department for COVID -19'.

Such contingencies are generally met out of the Contingency Fund. However, as the corpus of Contingency Fund is only ₹50 crore, the expenditure was directly met out of the Consolidated Fund. However, considering that this expenditure was incurred without budget provision, it needs to be regularised by the Legislature.

- Other Major items of expenditure without Budget provision include the following:
 - o 'Amount Allocable to successor State of TS' (₹244.96 crore) under Grant No. IX, Fiscal Administration, Planning, Surveys and Statistics;
 - Subvention from Central Road Fund' (₹234.06 crore) under Grant No XI, Roads, Buildings and Ports;
 - o 'Medical Reimbursement of all types of Pensioners' (₹183.20 crore), under Grant No. IX, Fiscal Administration, Planning, Surveys and Statistics;
 - o 'Loans to Telangana TRANSCO for High Voltage Distribution System (HVDS)' (₹57.48 crore) under Grant No. XXXV, Energy.

Except for the expenditure incurred due to Covid-19 in 2019-20, there is a reduction in expenditure without approval of the Legislature when compared to previous years (₹3,507.17 crore during 2018-19 and ₹2,217.96 crore during 2017-18). Nonetheless, continuing to incur excess expenditure without budget provision is a cause for concern as it undermines the authority of Legislature.

3.4.2 Excess expenditure and its regularisation

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

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 indicative of poor planning, which can be avoided by close monitoring of expenditure progression with budget. As shown in *Table 3.1*, there is an overall excess expenditure of \$15,451.49 crore during the year 2019-20. As compared to 2018-19, the total budget provision was less by 14 *per cent*, while the expenditure was higher by 16 *per cent*.

In 2019-20, at Grant / Appropriation level, excess expenditure occurred under 32 sections of 21 Grants and 4 Appropriations (including Public Debt). Under these, an expenditure to the extent of ₹92,345.08 crore was incurred against budget provision of ₹44,448.64 crore (i.e., 207.76 per cent of the total provision) (details in *Appendix 3.1*) exceeding the provision by ₹47,896.44 crore. This includes, one Grant (XXXI Panchayat Raj-Revenue Charged Section) in which the entire expenditure of ₹0.56 crore was incurred without any budget provision.

Audit analysis at the Major Head level revealed that there was an expenditure of ₹96,691.09 crore in respect of 74 Major Heads against the budget provision of ₹47,328.49 crore, resulting in excess expenditure of ₹49,362.60 crore.

- The major contributor for the excess expenditure during the year 2019-20 was 'Repayment of Ways and Means Advances' (₹36,147.59 crore) for which the original provision was only ₹100 crore and supplementary provision was ₹1,000 crore, while the actual expenditure was ₹37,247.59 crore under Grant IX Fiscal Administration (Loans Charged).
- Apart from Repayment of Ways and Means Advances, there was excess expenditure over budgetary authorisation (by ₹500 crore or more in each case) under Grant- IX Fiscal Administration (Revenue Voted) Grant as detailed in *Table 3.3*.

Table 3.3: Major contributing items for excess expenditure under Grant – IX Fiscal Administration (Revenue Voted)

(₹ in crore)

S. No.	Details	Amount
1	Service Pensions Allocable to Successor State of Telangana	3,318.41
2	Family Pensions allocable to Successor State of Telangana	1,251.70
3	Post Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32 : 41.68	1,120.29
4	Gratuities allocable to Successor State of Telangana	601.74
5	Commuted value of pensions allocable to Successor State of Telangana	562.15
6	Pre Bifurcation Service Pensions Allocable between the Successor States of Andhra Pradesh and Telangana in the ratio of 58.32:41.68	538.54
	Total	7,392.83

Source: Appropriation Accounts

As can be seen from the details tabulated above, the excess expenditure in this Grant was on account of allocation between the States of Andhra Pradesh and Telangana consequent to Andhra Pradesh Reorganisation Act, 2014¹. The Government needs to review the reasons for failure in estimating the above predictable expenditure with reasonable accuracy and take corrective measures for realistic estimation in future.

During 2019-20, there was significant excess expenditure in other grants as well (more than ₹100 crore in each case), involving the following schemes / Sub-Heads:

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

Table 3.4: Significant items of excess expenditure under various Grants

S. No.	Grant No.	Grant Name	Scheme / Sub-Head	Amount (₹ in crore)
1			Office of the Commissioner of Cyberabad Police	130.68
2	X (Revenue Voted)	Home Administration	Office of the Commissioner of Rachakonda Police	122.34
3	ĺ		Intelligence Branch	115.15
4			Telangana Special Police Units	108.66
5	XI (Loans Voted)	Roads, Buildings and Ports	Loans to Telangana State Road Transport Corporation	150.00
6			Teaching Grants to Zilla Praja Parishads	501.74
7	XII (Revenue	G 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Teaching Grants to Mandal Praja Parishads	497.48
8	Voted)	School Education	Rashtriya Madhyamika Siksha Abhiyan	277.45
9	·		Primary Schools	154.05
10			Government Secondary Schools	102.75
11	XVIII (Revenue Voted)	Housing	Pradhan Mantri Awas Yojana (Urban)	198.53
12	XVIII (Loans Voted)	Housing	Loans to Financial Institutions	207.87
13	VVI (D		Economic Support Schemes and Land Purchase Scheme	950.00
14	XXI (Revenue Voted)	Social Welfare	State Finance Commission Grants to Urban Local Bodies in Special Component Plan for Schedule Castes	152.44
15	XXI (Capital Voted)	Social Welfare	Construction of Residential School Complex	111.82
16	XXII (Revenue Voted	Tribal Welfare	Investment Support Scheme	111.66
17	XXXI (Capital Voted)	Panchayat Raj	Mission Bhagiratha	123.22
18	XXXI (Revenue Voted)	Panchayat Raj	Fourteenth Finance Commission Grants to PR bodies	102.05

Source: Appropriation Accounts

3.4.2.2 Persistent Excess Expenditure in Grants

A number of grants witness excess expenditure year after year. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis.

Grants in which Excess expenditure occurred persistently during the last five years are given in *Table 3.5*.

Table 3.5: Grants in which persistent excess expenditure occurred during last five years

(₹ in crore)

S. No.	Grant Number, Name and Details	2015-16	2016-17	2017-18	2018-19	2019-20
1	IX – Fiscal Administration, Plan	ning, Survey	s and Statist	ics (Revenue	e Voted)	
	Grant Provision	9,936.49	11,064.66	15,085.24	12,880.90	10,741.27
	Actual Expenditure	14,871.43	15,399.13	17,677.87	16,871.35	19,059.73
	Excess	4,934.94	4,334.47	2,592.63	3,990.45	8,318.46
2	X – Home Administration (Reve	nue Voted)				
	Grant Provision	4,085.41	3,733.15	4,261.88	5,097.69	5,253.57
	Actual Expenditure	4,413.72	4,773.36	5,220.36	5,870.94	5,886.13
	Excess	328.30	1,040.21	958.49	773.25	632.57

Source: Appropriation Accounts of the years concerned

Above table shows that both the Grants have expended more than the authorised budget year after year during the five-year period 2015-16 to 2019-20. The excess expenditure under Revenue Voted Section of Fiscal Administration has been increasing primarily on account of the following:

- Post-bifurcation service pensions allocable between the two successor States of Andhra Pradesh and Telangana (₹13,012.17 crore);
- Family pensions allocable to successor State of Telangana (₹4,856.47 crore); and
- Service Pension Allocable to successor State of Telangana (₹2,733.66 crore).

As regards Grant No. X, Home Administration, persistent excess expenditure was incurred under the following Sub-Heads:

- District Police Force (₹1,463.21 crore);
- City Police Force (₹598.88 crore); and
- Telangana Special Police Unit (₹537.79 crore).

Further, in respect of Grant XXIX - Forest, Science, Technology and Environment also, there was an excess expenditure in Capital Voted section over authorisation during 2018-19 (₹68.42 crore) and 2019-20 (₹23.63 crore).

3.4.2.3 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 (EN) for excess expenditure to PAC through Finance Department. Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive.

The State Government, however, did not get the excess expenditure amounting to ₹84,650.99 crore over and above the allocation, pertaining to the years 2014-15 to 2018-19, regularised as of November 2020 as shown in *Table 3.6* (Grant-wise details are given in *Appendix 3.2*).

Table 3.6: Details of excess expenditure to be got regularised

(₹ in crore)

Year /	Revenue Voted	Revenue Charged	Capital Voted	Loans Voted	Public Debt	Total
2014-15						
Number of Grants / Appropriation		1	3	2		
Amount		1.42	294.98	7.25		303.65
2015-16						
Number of Grants / Appropriation	4	1	2	2		
Amount	5,361.08	9.37	2.78	507.56		5880.79
2016-17						
Number of Grants / Appropriation	10	3	4	2		
Amount	6,261.27	13,127.30	1,762.83	10.19		21,161.59
2017-18						·
Number of Grants / Appropriation	7	1	2	1	1	
Amount	4,578.26	342.74	341.10	122.06	22,787.11	28,171.27
2018-19						
Number of Grants / Appropriation	3	1	2	2	1	
Amount	4,791.05	794.72	71.48	2,400.00	21,076.44	29,133.69

Source: Appropriation Accounts

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

3.4.3 Unspent amounts / Large savings

During the year 2019-20, the total savings were 332,444.95 crore. Of this, 28,953.03 crore (i.e., $89 \ per \ cent$) pertain to only 14 Grants with savings of more than 500 crore each as shown in *Appendix 3.3*.

3.4.3.1 Savings on maintenance of Irrigation Projects

Under Grant No. XXXIII Major and Medium Irrigation, during the year 2019-20, an amount of ₹246.42 crore was provided in the Original Budget towards 'Maintenance' (under object head Maintenance in Revenue Voted section). This was supplemented by another ₹9.49 crore during the year. Out of the total provision of ₹255.91 crore, a meagre expenditure of ₹5.52 crore was incurred on maintenance of irrigation projects, mainly on Alisagar Lift Irrigation Scheme (₹2.19 crore), Arugula Rajaram Guthpa Lift Irrigation Scheme (₹1.58 crore), Sriramsagar Project (₹0.25 crore) and Maintenance of other Irrigation Projects (₹0.49 crore). This resulted in a saving of ₹250.39 crore. Even out of the expenditure of ₹5.52 crore incurred, ₹0.96 crore was on Annual maintenance of Jalasoudha building. Apart from deviating from the intent of the Legislature, huge savings on maintenance of irrigation projects could lead to non-performance of the projects to the envisaged level.

3.4.3.2 Persistent Savings

During the years 2015-20, there were four Grants / Appropriations where there were persistent savings of more than ₹1,000 crore each as shown in *Table 3.7*.

Table 3.7: Grants / Appropriations with persistent savings of more than ₹1,000 crore during the years 2015-20

SI.	Grant	Name of the Grant/	Savings rupees in crore (per cent)								
No.	No.	Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20				
Reve	nue Voted										
1.	XVII	Municipal Administration and Urban Development	1,286.68(40)	4,121.44(75)	3,085.72(67)	4,034.91(67)	1,092.26 (36)				
2.	XXI	Social Welfare	3,550.73(57)	3,309.19(53)	3,812.20(40)	4,539.33(38)	1,810.40 (17)				
3.	XXVII	Agriculture	1,366.57(20)	1,598.21 <i>(24)</i>	1,344.18(24)	4,178.21(<i>31</i>)	4,347.06 (28)				
Capi	Capital Voted										
4.	XXXIII	Major and Medium Irrigation	3,743.49(37)	10,823.19(48)	11,072.86(67)	11,243.45(58)	2,062.19 (20)				

Source: Appropriation Accounts of the years concerned

Major and Medium Irrigation (Capital Voted) and Agriculture (Revenue Voted) Grants, which received high priority during the past few years have also registered savings consistently both in terms of volume and *percentage*. However, the savings have declined in 2019-20 in respect of Municipal Administration and Urban Development, Social Welfare and Major and Medium Irrigation Grants.

In terms of *percentage*, the utilisation of Major and Medium Irrigation as well as Municipal Administration and Urban Development Grants was less than 50 *per cent* in three years during the five-year period (2015-20) as shown in *Table 3.8*. The utilisation was less than 50 *per cent* in respect of Housing and Industries and Commerce Grants also during 2016-17 to 2018-19.

Table 3.8: Grants / Appropriations with less than 50 per cent utilisation in at least three years during the five-year period (2015-20)

Sl.	Grant	Name of the Grant/	Utilisation in <i>per cent</i>					
No.	No.	Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20	
1.	XVII	Municipal Administration and Urban Development	74	35	45	37	73	
2.	XVIII	Housing	77	27	36	47	107	
3.	XXXIII	Major and Medium Irrigation	71	44	36	28	70	
4.	XXXVI	Industries and Commerce	61	31	47	28	77	

Source: Appropriation Accounts of the years concerned

All the four Grants registered utilisation less than 50 *per cent* during the period 2016-19. The utilisation as a *percentage* of total provision, however, improved in the current year.

3.4.4 Supplementary Grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is

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

Audit analysis showed that Supplementary Grant (Rupees one crore and above) of ₹20,245.50 crore *i.e.*, 80 *per cent* of total Supplementary Grant was either unnecessary or excessive in 50 cases. On the other hand, in 24 cases, the Supplementary Grant of ₹4,941.57 crore fell short by 91 *per cent* and proved insufficient.

Table 3.9: Unnecessary / Excessive / Insufficient Supplementary Provision

Sl. No.	Particulars	No. of Grants / Appro- priations	Original Provision (₹ in crore)	Supple- mentary Provision (₹ in crore)	Total Grant (₹ in crore)	Total Expenditure (₹ in crore)	Excess (+) / Savings (-) (₹ in crore)
1	Unnecessary Supplementary	26	83,458.95	4,290.50	87,749.44	63,279.31	(-) 24,470.14
2	Excessive Supplementary	24	17,311.95	15,955.00	33,266.95	26,933.28	(-) 6,333.67
3	Insufficient Supplementary	24	38,566.23	4,941.57	43,507.81	91,318.73	47,810.92

Source: Appropriation Accounts

The Grants/Appropriations where Supplementary provision of more than ₹500 crore proved unnecessary are detailed in *Table 3.10*.

Table 3.10: Grants/Appropriations where Supplementary Provision of more than ₹500 crore proved unnecessary

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Original	Supple- mentary	Total	Expen- diture	Savings(-) /Excess(+)
1	XXIV Revenue Voted	Minority Welfare	1,369.89	813.67	2,183.55	1,324.68	(-)858.88
2	XVII Revenue Voted	Municipal Administration and Urban Development	2,228.85	790.30	3,019.16	1,926.90	(-)1,092.26
3	XXII Revenue Voted	Tribal Welfare	6,121.27	565.54	6,686.81	5,621.42	(-)1,065.39

Source: Appropriation Accounts

Further, the following were also observed:

• Under 15 Sub-heads in ten Grants, the entire Supplementary Provision of ₹167.17 crore approved by Legislature was withdrawn, indicating that the purposes for which Supplementary Provision was obtained were not taken up during the year. Out of these, the major items were Employee Health Scheme contribution for Pensioners (₹50 crore), Loans to Arogyasree Health Care Trust (₹50 crore) and Revival of Ramagundam Fertilizers and Chemicals Limited (₹30 crore).

- While there was no original provision in respect of investments in DISCOMSs, the supplementary provision was ₹4,400 crore. The actual expenditure was, however, only ₹2,000 crore.
- In respect of Loans, while there was no original provision in respect of Telangana Rajiv Swagruha Corporation Limited, it was later supplemented by a provision of ₹377 crore. In respect of Telangana Road Development Corporation, the original provision of loans of ₹50 crore was later increased to ₹307.52 crore indicating that the supplementary provision was significantly higher than the original provision.

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

3.4.5 Re-appropriations

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

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

The net effect of Re-appropriation / Resumption orders issued by the Government was reduction of budget provision by ₹28,013.13 crore.

Audit scrutiny in this regard revealed the following:

3.4.5.1 Irregular Re-appropriations

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

However, in contravention of the above provision, an amount of ₹491.99 crore was provided through Re-appropriation orders, in respect of 44 Sub-Heads in 18 Grants, though there was neither Original nor Supplementary Provision approved by the State Legislature. Out of these, the major items were Subvention from Central Road Fund (₹184.50 crore) and Medical Reimbursement to all types of Pensioners (₹183.19 crore).

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

In respect of 11 Sub-Heads in 5 Grants, the Finance Department issued orders for augmentation of Original provision (₹18,050.56 crore) through Re-appropriations (₹2,883.83 crore), ₹100 crore or more in each case, instead of seeking approval for Supplementary provision.

3.4.5.3 Re-appropriations at the fag end of the year

As per the provision of Para 17.2.2 of the Budget Manual, all savings, when they come to notice, are to be immediately surrendered with full explanation as to how they came about. The Finance Department issued Re-appropriation / Resumption orders on 31 March for augmentation of the provision by ₹7,897.54 crore and reduction by ₹35,910.67 crore resulting in overall reduction of provision by ₹28,013.13 crore. There were no reappropriations during the year under report, except on 31 March.

3.4.5.4 Re-appropriations without specific reasons

Out of 40 Grants, while there was augmentation of provision by ₹7,897.54 crore, specific reasons were given in respect of only ₹6.21 crore (0.08 per cent) (such as for meeting the expenditure of electricity bills, clearing pending bills, payment of travelling allowance and payment of petrol, oil and lubricant charges and Service Postage, Telegram and Telephone charges etc). Out of reduction of provision by ₹35,910.67 crore, specific reasons were given in respect of only ₹1.37 crore (0.004 per cent) like non-starting of works for want of Administrative Orders. For the remaining amount, the reasons were generic like 'savings due to actual expenditure' or 'increase is based on actual expenditure'.

3.4.6 Special Development Fund

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

Government allocated ₹12,400.22 crore² and ₹7,184.87 crore³ to SCSDF and STSDF respectively from the total outlay of Pragathi paddu (₹75,263.24 crore) in 2019-20. The allocations account for 16.48 *per cent* and 9.55 *per cent* under SCSDF and STSDF respectively, which were higher than the norms prescribed by the Act.

² ₹12,022.42 crore towards all Departments and ₹377.80 crore towards non-divisible infrastructure works

³ ₹7,022.96 crore towards all Departments and ₹161.91 crore towards non-divisible infrastructure works

However, 21 *per cent* and 26 *per cent*⁴ of the allocated funds were not utilised under SCSDF and STSDF respectively. The actual utilisation fell short in earlier years also as it was 38 and 57 *per cent* respectively for SCSDF and STSDF in the year 2018-19. It was 54 *per cent* each in 2017-18 and 60 and 57 *per cent* respectively in 2016-17.

3.4.7 Transfers to Other Deposit Accounts

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

An amount of ₹7,836.94 crore was transferred from Consolidated Fund to Other Deposits during the year 2019-20 by booking expenditure under Revenue (₹4,052.67 crore), Capital (₹2.13 crore) and Loans and Advances (₹3,782.14 crore) sections.

- An amount of ₹2,810.73 crore was provided as Loan to Telangana Drinking Water Supply Corporation. The closing balance in the Deposit Account (Major Head 8443
 Minor Head 800 - Sub-Head 37) was ₹294.55 crore.
- Arogyasri Health Care Trust was provided with loans of ₹720.12 crore apart from ₹253.87 crore as Grants-in-Aid under Revenue Expenditure. Closing balance in the Deposit Account (Major Head 8443 Minor Head 800-Sub-Head 28) was ₹331.55 crore.
- An amount of ₹407.69 crore was provided as Employees Health Scheme and Journalists Health Scheme by transferring the same to Deposits Account. The closing balance in the Deposit Account (Major Head 8443 Minor Head 800 Sub-Head 71) was ₹282.69 crore.

3.4.8 Misclassification of Expenditure

Expenditure is classified under 'Charged' (such expenditure is not submitted to the vote of the Legislative Assembly) and 'Voted' items of expenditure separately. Similarly, items of expenditure are also classified under 'Revenue', 'Capital' and 'Loans'. Government accounting framework allows for different codes for the above at different levels as detailed in *Paragraph 1.4* of Chapter 1. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement /understatement of revenue expenditure and Revenue Deficit/Surplus.

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⁴ SCSDF: Budget (O+S):₹12,701.92 crore, Expenditure: ₹10,065.16 crore (79 *per cent*) and Savings: ₹2,636.76crore (21 *per cent*); STSDF: Budget (O+S): ₹7,728.55 crore, Expenditure: ₹5,702.12 crore (74 *per cent*) and Savings: ₹2,026.44 crore (26 *per cent*).

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

Erstwhile Government of Andhra Pradesh (GoAP) had raised (2004-13) an amount of ₹5,894.60 crore from public through issue of bonds by Andhra Pradesh Power Finance Corporation Limited (APPFCL). As the liability pertains to GoAP, it had provided unconditional and irrevocable Guarantee for servicing these AP Power Bonds with budgetary support. Consequent to Andhra Pradesh Re-organisation Act 2014, a liability of ₹3,509.60 crore was allocated to Government of Telangana in this regard.

During 2019-20, an expenditure of ₹287.35 crore was incurred for payment to Telangana State Power Finance Corporation Limited (TSPFCL)⁵ towards payment of semi-annual interest on Andhra Pradesh Power Finance Corporation (APPFC) Bonds series payable to APPFC Limited. No provision was made and no expenditure was incurred towards repayment of Principal amount of bonds as there was no maturity of the bonds during the year. However, the following misclassifications were observed in audit in respect of payment of interest:

- As per Article 202 (3) (c) of the Constitution, debt charges for which the State is liable, including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt shall be expenditure charged on the Consolidated Fund of the State. However, provision of ₹180 crore in the Original Budget Estimates and ₹55.47 crore in the Supplementary Estimates was made and got approved by Legislature under Voted section. The expenditure of ₹287.35 crore was also made under voted section only. As a result, the Charged expenditure was understated.
- As per the List of Major and Minor Heads of Account of Union and States, interest payments are classified as Revenue Expenditure under Major Head 2049. However, the provision and payment of interest in respect of APPFC bonds was made under Loan Head of Account of 6801- Loans for Power Projects. Classification of Revenue Expenditure (i.e., servicing of interest charges on liabilities) as Assets (Loans provided to TSPFCL) resulted in understatement of revenue expenditure and overstatement of assets (loans recoverable). Government had also provided unconditional and irrecoverable Guarantee for servicing the liability with budgetary support.
- The nomenclature for the items in the budget proposal, was mentioned as "Repayment of Loans of PFC bonds" although it was payment of semi-annual interest.

In response, the Government (Energy Department) stated (November 2020) that the amount was drawn and disbursed to TSPFCL as per the classification indicated in the BRO issued by the Finance Department.

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

While the Energy Department had indicated its requirement of funds for the purpose under this incorrect Head of Account, Finance Department should have exercised due diligence while approving the budget proposal and issuing the BRO for this purpose.

3.4.8.2 Classification of Grants-in-Aid under Capital section

As per Indian Government Accounting Standard (IGAS-2), Grants-in-Aid (GIA) are payments in the nature of assistance, donations or contributions made by one Government to another Government, body, institution or individual. Expenditure on Grant-in-Aid is to be recorded as Revenue Expenditure in the books of the grantor and as Revenue Receipts in the books of the recipient.

The State Government, however, budgeted an amount of ₹12.09 crore and spent ₹5.86 crore on Grants-in-Aid under Capital Section in respect of eight Major Heads. The major provisions were: ₹6.48 crore towards Roads and Bridges under Major Head 5054 and ₹2.25 crore towards Assistance to TS LIPCO under Major Head 4860. The expenditure incurred on these was ₹3.84 crore and ₹1.50 crore respectively.

The Comptroller and Auditor General of India has been expressing concern about incorrect classification of expenditure in the State Finances Audit Reports every year. Although the tendency of booking GIA as capital expenditure has declined progressively over the past two years, Government needs to consciously endeavour to eliminate this problem to bring about transparency in its accounts.

3.4.8.3 Classification of Minor Works under Capital section

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

The State Government, however, budgeted for ₹1,492.24 crore and spent ₹1,733.34 crore on 'Minor Works' under Capital Section. Out of this, nearly 95 *per cent* (₹1,644.34 crore) pertains to expenditure on High Tension Current Consumption (HTCC) Charges. Significant part of this expenditure (91.66 *per cent* i.e, ₹1,507.20 crore⁶) was incurred on four major irrigation projects.

Incurring huge expenditure on the HTCC charges in the lift irrigation scheme projects implies that these projects have been partially opened for service. As such, in view of Article 30 (A) (5) of Accounts Code, classification of the expenditure on 'Minor Works' on account of HTCC charges under Capital instead of Revenue needs to be reviewed.

During the Exit Conference (March 2021) the Government assured that it would review this aspect.

Mahatma Gandhi Kalwakurthi Lift Irrigation Scheme (₹642.28 crore), J.Chokka Rao Devadula Lift Irrigation Scheme (₹423.53 crore), Srisailam Left Bank Canal (Alimineti Madhava Reddy Project) (₹333.35 crore) and Rajiv Bheema Lift Irrigation Scheme (₹108.04 crore)

3.4.8.4 Expenditure booked under Capital

As per Note under Rule 30 (1) of Government Accounting Rules, 1990, 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 3.11: Revenue Expenditure classified under Capital Section

Sl. No.	Particulars	Expenditure (₹ in crore)	Remarks
1	Expenditure on the Mahatma Gandhi National Rural Employment Guarantee Scheme	577.11	The scheme is intended for employment generation. However, there was no supporting information for the claim that the assets created out of this belong to the Government and not to Local Bodies or Autonomous Bodies, which implemented the scheme at field level.
2	Constituency Development Programme	69.55	The scheme is intended for taking up Development programmes in Constituencies. However, there was no supporting information for the claim that the assets created out of this belong to the Government.
3	Expenditure incurred towards Construction/renovation/major repairs of buildings of ZPP and MPP Schools in School Education Department.	52.28	There was no supporting information that the Assets created out of this expenditure belong to the Government and not to the Local Bodies concerned.
4	Purchase of surgical consumables	17.07	Expenditure on consumable items is revenue expenditure.
	Total	716.01	

Source: Appropriation Accounts

3.4.8.5 Classification of Assets under Revenue Section

As mentioned above, Capital Expenditure is defined as expenditure incurred to create assets of a material and permanent character, or to reduce permanent liabilities, while the Revenue Expenditure is recurring in nature. Capital expenditure amounting to ₹ 49.56 crore was booked under Revenue Section in the following cases:

Table 3.12: Capital Expenditure booked under Revenue Section

Sl. No.	Particulars	Expenditure (₹ in crore)
1	Motor Vehicles – Purchase of Motor Vehicles (Detailed Head 510 and Object Head 512)	23.12
2	Machinery and Equipment – Purchases (Detailed Head 520 and Object Head 521)	23.30
3	Machinery and Equipment – Tools and Plants (Detailed Head 520 and Object Head 522)	3.14
	Total	49.56

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.

3.4.8.6 Booking expenditure on State Sector Scheme under Centrally Sponsored Schemes

KCR Kit (Ammavodi) is a State Sector Scheme aimed at providing compensation for wage loss to pregnant women who receive healthcare services from public health institutions in the State during pre and post-natal periods.

During the year, an expenditure of ₹490.50 crore was incurred under the Scheme. However, an expenditure of ₹420.50 crore was booked under State Sector Scheme and ₹70.00 crore booked under Centrally Sponsored Scheme.

3.5 Effectiveness of budgetary and accounting process

3.5.1 Rush of expenditure

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

Analysis at the Grant level showed that the total expenditure in respect of the following Grants was more than 40 *per cent* in the last quarter and/or more than 20 *per cent* in the month of March 2020 as shown in *Table 3.13*.

Table 3.13: Grants where expenditure was more than 40 per cent during the last quarter and/or more than 20 per cent in March 2020

(₹ in crore)

Sl.	Grant No.	Grant Name	Total Expenditure	Expenditure in 4 th Quarter		Expenditure in March 2020	
110.	110.		₹ in crore	₹ in crore	per cent	₹ in crore	per cent
1	V	Revenue, Registration and Relief	3,405.67	2,188.94	64.27	1,340.85	39.37
2	II	Governor and Council of Ministers	48.04	23.84	49.61	4.53	9.43
3	XVIII	Housing	1,450.18	702.79	48.46	0.14	0.01
4	XXII	Tribal Welfare	6,081.41	2,830.94	46.55	1,369.28	22.52
5	XXI	Social Welfare	9,056.96	4,008.56	44.26	2,170.82	23.97
6	XXXV	Energy	6,339.44	2,764.49	43.61	1,686.75	26.61

Source: Appropriation Accounts

Expenditure in respect of Social Welfare, Tribal Welfare and Energy Grants was comparatively high during the last quarter and specifically in the month of March 2020. The high expenditure in Grant V – 'Revenue, Registration and Relief' was on account of 'Covid-19 Pandemic'.

In terms of expenditure on specific schemes/sub-heads towards the end of the financial year, the following table gives details where the entire expenditure (over ₹200 crore) was incurred in March 2020.

Table 3.14: Schemes / Sub-Heads in which the entire expenditure was incurred in March 2020 (expenditure of ₹200 crore or more)

(₹ in crore)

Sl. No.	Grant No.	Head of Account	Scheme / Sub-Head	Entire expenditure incurred in March 2020
1	XVII	2217801911218	AMRUT	291.03
2	XXI	2236027892511	Subsidy on Rice (Human Resource Development)	606.86
3	XXIII	2225032772510	Post Metric Scholarships (Non Professionals)	253.09
4	XXIV	2225048002543	Telangana State Minorities Residential Schools and Hostels	389.77
5	XXV	22350210205	Integrated Child Development Services	454.57
6	XXVII	2435601012504	Scheme for Debt relief to farmers	700.00
7	XXXIII	67000180005	Telangana State Water Resource Infrastructure Development Corporation Limited (Loans)	361.24
8	XXXIV	4702001012530	Mission Kakatiya (Capital Expenditure)	595.57

Source: Appropriation Accounts

3.5.2 Review of selected Grants

A detailed scrutiny of two Grants *viz.*, (i) Grant No. XII – School Education and (ii) Grant No. XXXV – Energy was conducted in audit. At an aggregate level, there was excess expenditure in School Education, while there were savings in Energy Grant as can be seen from *Table 3.15*.

Table 3.15: Budget Provision, Expenditure, Excess and Savings in selected Grants

(₹ in crore)

Section	Original	Supple- mentary	Total	Expenditure	Excess(+) / Savings(-)
Grant No. XII -Sc	hool Education	1			
Voted					
Revenue	8,157.04	1,189.79	9,346.84	10,630.11	1,283.27
Capital	51.98	266.08	318.06	248.92	(-) 69.14
Total	8,209.02	1,455.87	9,664.90	10,879.03	1,214.13
Grant No. XXXV	– Energy				
Voted					
Revenue	6,103.45	35.43	6,138.88	3,994.61	(-) 2,144.27
Capital	0.00	4,400.00	4,400.00	2,000.00	(-) 2,400.00
Loans	180.00	55.47	235.47	344.83	109.37
Total	6,283.45	4,490.90	10,774.35	6,339.44	(-) 4,434.90

Source: Appropriation Accounts

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

3.5.2.1 Grant XII - School Education

(i) Excess expenditure due to short provision on Salaries

The excess expenditure was primarily towards sub-heads Teaching Grants to Zilla Praja Parishads (₹501.74 crore), Teaching Grants to Mandal Praja Parishads (₹497.48 crore), Rastriya Madhyamika Siksha Abhiyan (₹277.45 crore), Primary Schools (₹154.05 crore), Government Secondary Schools (₹102.75 crore), Samagra Siksha (₹65.53 crore) while savings occurred under Construction and maintenance of School Buildings

(₹100.00 crore), Mid-Day Meals under Nutritious Meals Programme (₹83.82 crore) and Nutritious Meals Programme (₹71.76 crore).

Further analysis of reasons for excess expenditure revealed that major instances were in respect of detailed head 'salaries'. The total provision towards salaries was ₹6,887.48 crore, while the expenditure was ₹8,396.88 crore leading to excess expenditure of ₹1,509.40 crore. The following five subheads mainly contributed to the excess expenditure in the Grant.

Table 3.16: Excess expenditure due to short provision of funds under Salaries in School Education (Grant number XII)

(₹ in crore)

Sub-Head	Proposals of School Education Department	Budget allocation	Expenditure	Excess (+) / Savings (-)
Voted				
Teaching Grants to Zilla Praja Parishads	2,714.48	1,773.23	2,939.14	1,165.91
Teaching Grants to Mandal Praja Parishads	2,610.08	1,966.69	3,032.70	1,066.01
Rashtriya Madhyamika Siksha Abhiyan	325.99	0.05	277.44	277.39
Primary Schools	474.02	281.03	452.98	171.95
Government Secondary Schools	504.18	347.76	491.15	143.39
Total	6,628.75	4,368.76	7,193.41	2,824.65

Source: Appropriation Accounts, information on proposals as furnished by School Education Department

The proposal sent by the School Education Department with regard to requirement of funds for salaries was way off the mark in terms of the actual requirement based on the expenditure incurred on this component during the preceding years (2017-18: ₹7,768.12 crore and 2018-19: ₹7,781.63 crore in respect of the above five Sub-Heads). However, the approvals given by the Finance Department was far less than those proposed by the School Education Department. The short allocation has led to final excess expenditure as it was inevitable to pay salaries.

In spite of short allocation in respect of salaries, the School Education Department did not seek provision under supplementary estimates. Director of School Education Department replied (December 2020) that supplementary provision was not sought for, as expenditure on salaries was an unavoidable item. The reply, however, does not explain as to why funds were not sought/provided for under a Head of expenditure, which cannot be avoided.

(ii) Failure to obtain Supplementary provision after issue of Budget Release Orders in excess of Budget Provision

As per the definition in the Budget Manual, a Budget Release Order (BRO) is an order to be issued by the Finance (Expenditure) Department to the concerned Head of the Department for the amounts authorised by the Legislature through an Appropriation Act. However, in 20 instances, the Finance Department issued BROs to an extent of ₹676.66 crore in excess of Budget Provision during 2019-20. These BROs were issued mainly in respect of (i) Samagra Siksha ₹523.51 crore, (ii) Midday Meals: ₹42.42 crore (iii) Universalisation of Secondary Education (Andariki Vidya): ₹48.61 crore, (iv) Government Text Book Press: ₹24.32 crore and (v) Conduct of Common Examination: ₹22.53 crore. While issuing the BROs, it was stated that these were additional amounts sanctioned. However, the Finance Department did not get requisite approval of the Legislature through Supplementary Provision for expending these funds resulting in unauthorised excess expenditure over budget provision.

(iii) Assistance to Adolescent Girls

Assistance to Adolescent Girls is a State sector scheme, which was commenced with the objective of providing Health and Hygienic Kits to Girl students studying in class VII to X in Government Schools, Local Bodies Schools, Aided Schools and Model schools of the State.

During 2019-20, a budget provision of ₹75.47 crore was proposed by the School Education Department duly considering the arrears of 2018-19 and requirement for the financial year 2019-20 against which, a Budget of ₹44.92 crore was allocated. Although the Finance Department released (April 2019/January 2020) an amount of ₹37.69 crore out of this budgetary allocation, only ₹4.72 crore was paid towards arrears and the remaining budget of ₹32.97 crore lapsed since the Scheme was not operational due to administrative reasons.

3.5.2.2 Grant XXXV - Energy

In respect of Energy Grant, savings occurred under Assistance to Transmission Corporation (TRANSCO) of Telangana for agricultural and allied subsidy (₹2,111.87 crore) and Investments (₹2,400 crore) in DISCOMs while excess occurred under Loans to Telangana TRANSCO for High Voltage Distribution Systems (HVDS), and payment of interest to Power Finance Corporation Ltd for Bonds (₹51.88 crore).

(i) Expenditure under loans section without budget approvals

In the Budget of the previous year, i.e., 2018-19, an amount of ₹302.14 crore was provided towards Loans to Telangana TRANSCO for High Voltage Distribution System (HVDS). Despite the issue of BRO for ₹57.48 crore, the amount could not be utilised during the year 2018-19. During the current year, this amount was released and expended, although there was no budget provision (either original or supplementary). This amount therefore, needs to be regularised by the Legislature.

(ii) Non-utilisation of supplementary provision for investment in DISCOMs

In the supplementary budget of the State for 2019-20, an amount of $\[3pt]4,400.00$ crore was provided for towards 'Investment in DISCOMs' $(\[3pt]2,400.00$ crore)⁷ and funding for operational losses of DISCOMs $(\[3pt]2,004.68$ crore)⁸.

Out of this, however, only an expenditure of ₹2,000 crore was incurred. Three bills viz., (i) ₹400 crore towards investment in DISCOMs, (ii) ₹1,918.40 crore and (iii) ₹86.28 crore both towards UDAY scheme⁹ were rejected for reasons not on record.

Thus, only ₹2,000 crore could be utilised out of the supplementary provision of ₹4,400 crore.

⁷ (i) G.O.No.11, dated 6 July 2019 for ₹400 crore, (ii) G.O.No.1, dated 3 January 2020 for ₹2,000 crore

⁸ (i) G.O.No.13, dated 8 August 2019 for ₹1,918 crore, (ii) G.O.No.2, dated 8 January 2020 for ₹86.28 crore

⁹ Ujwal DISCOM Assurance Yojana (UDAY) scheme was meant for financial turnaround of DISCOMs

3.5.3 Advances from Contingency Fund

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

During the year 2019-20, the State Government drew ₹7.94 crore¹⁰ from Contingency Fund, out of which, an amount of ₹6.43 crore was expended. Out of the total advance drawn, only an amount of ₹3.53 crore was recouped by the close of the financial year as depicted in *Chart 3.6*.

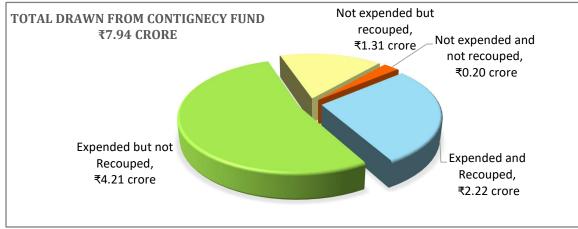


Chart 3.6: Status of Advances from Contingency Fund

Source: Appropriation Accounts

- Out of the above, payments made towards decretal amount to a Contractor under Major Head 'Capital outlay on Housing' (₹0.53 crore) and payment of decretal charges for acquisition of land under Major Head 'Capital outlay on Roads and Bridges' (₹0.78 crore) though recouped, were not expended.
- Advances drawn for providing ex-gratia to toddy tappers under State Excise (₹0.10 crore), compensation to assignees of the lands to implement the order of Honourable High Court under 'District Administration' (₹2.31 crore), compensation involved in road traffic accident under 'Medical and Public Health' (₹0.21 crore) and Decretal Charges to Deposit in the Court towards 'Assistance to Municipalities for Development Works under Urban Development' (₹1.59 crore) though expended, were not recouped.

This indicates that the advances from Contingency Fund were not drawn with due diligence; were not spent after drawal; and were not fully recouped within the financial year.

During the Exit Conference (March 2021), the Government assured that it would look into the matter.

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¹⁰ Decretal Charges (₹4.94 crore) and Compensation (₹3.00 crore)

3.6 Conclusion

Budgetary assumptions of the State Government were not realistic during 2019-20 and control over the execution and monitoring of budget was inadequate.

Supplementary Grants/Appropriations were obtained without adequate justification and in some cases, despite the Legislature not approving supplementary provision, expenditure was incurred. Savings were neither surrendered on time nor were explanations provided to the Accountant General (A&E) for variations in expenditure *vis-à-vis* allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

State Government has persistently been incurring excess expenditure over authorisation during the last few years, which is a cause for concern. While excess expenditure of ₹84,650.99 crore incurred during the last five years was yet to be regularized by the Legislature, ₹2,084.03 crore was incurred during 2019-20 without budgetary provision, which undermines the authority of State Legislature.

Utilisation of budgetary provision under four socio-economic Grants was less than 50 *per cent* of the allocation during the period 2016-19, which affected socio-economic development in the State.

Due diligence was not carried out for drawl of advances from Contingency Fund. These advances were not also fully utilised for the intended purpose; nor were these fully recouped within the financial year.

3.7 Recommendations

- i. State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilize the allocated resources;
- ii. An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grants/Appropriations are controlled and excess expenditure over authorisation is scrupulously avoided;
- iii. Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation, to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.
- iv. Advances drawn from the Contingency Fund need to be invariably recouped before close of the financial year.

Chapter 4 Quality of Accounts and Financial Reporting Practices

4.1 Introduction

A sound internal financial reporting system with relevant and reliable information contributes significantly to the efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

This Chapter provides an overview on the Quality of Accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

4.2 Funds outside Government Accounts

Audit of Finance Accounts revealed that monies pertaining to a new Fund established by the State Government in the Public Account were lying outside the Public Account as detailed below.

4.2.1 State Compensatory Afforestation Fund

The Compensatory Afforestation Fund Act (CAFA), 2016 and Compensatory Afforestation Fund Rules, 2018 provide for administration of amounts received for compensatory afforestation activities by State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA). The Authority is to administer the amount received and utilise the monies for undertaking compensatory afforestation activities.

As per the CAFA, the following shall be credited into the State Compensatory Afforestation Fund (SCAF) in the Public Account of the Government.

- i. Unspent balances of all monies which have been transferred by Ad-hoc Authority to the State CAMPA (erstwhile State Authority during combined State of AP);
- ii. All monies transferrable from National Fund;

iii. All monies realised from user agencies by the State towards Compensatory afforestation, additional compensatory afforestation, penal compensatory afforestation, Net Present Value, Catchment area Treatment plan etc.; and

iv. The funds recoverable from user agencies by State in case where forest land diverted falls within the protected areas.

Further, Grants-in-Aid received, loans taken or borrowing made or any other sums received by State CAMPA shall also be credited into SCAF. In accordance with the Act *ibid*, the Telangana Government established (February 2019) a new¹ Reserve Fund viz., "State Compensatory Afforestation Fund" (SCAF).

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

Audit observations in this regard are as follows:

• During the year 2019-20, an amount of ₹3,110.38 crore² was credited (August 2019) into Telangana SCAF by Government of India (GoI). An amount of ₹501.26 crore, initially drawn (September 2019) from Consolidated Fund was later adjusted (March 2020) from the Telangana SCAF, leaving a balance of ₹2,609.12 crore in the Fund.

The Government informed (November 2020) audit that out of the ₹501.26 crore drawn, ₹260.60 crore was spent by State CAMPA and the unspent balance of ₹240.66 crore was parked in Nationalised Banks, i.e., outside the purview of Government Accounts.

• As per the Compensatory Afforestation Fund Act, the unspent balances of all monies which have been transferred by Ad-hoc Authority to the State CAMPA would be credited to SCAF. However, as per the information furnished by the Government, an amount of ₹100.48 crore released by State CAMPA from National Ad-hoc Authority prior to inception of CAFA, was also deposited in a National Bank, instead of being credited into SCAF.

Thus, an amount of ₹341.14 crore pertaining to the State Compensatory Afforestation Fund was parked in banks i.e., outside the Government Accounts.

The Government, during the Exit Conference (March 2021), stated that in respect of several schemes, Government of India was not routing the funds through the State Government, and instead, was directly releasing the funds to the implementing agencies with instructions to place them in the National Banks.

The reply of the Government is not acceptable as State Compensatory Afforestation Fund Act, 2016 stipulates that the funds pertaining to State Compensatory Afforestation shall be placed in Public Account of the State.

4.2.2 State Compensatory Afforestation money yet to be transferred by National Fund

As per the Accounting procedure notified by the Controller General of Accounts (CGA) for SCAF, 90 *per cent* of the monies realised from user agencies by State towards Compensatory afforestation etc., were to be transferred to SCAF and the remaining 10 *per cent* to the National Fund. During 2019-20, however, the entire amount of ₹102.98 crore receivable from user agencies was remitted directly to the National Fund by the user agencies instead of crediting it to SCAF as the payment gateway at State level was under establishment. As a result, ₹92.68 crore (being 90 *per cent* of amount remitted by user agencies) was with National Fund and was yet to be transferred to SCAF as of end of March 2020.

being 90 per cent of the funds, available with ad-hoc Authority prior to formation of the Fund, transferrable to SCAF as per the CAFA 2016. The remaining 10 per cent was to be with National Compensatory Afforestation Fund

4.3 Non - discharge of interest liability

Funds in Public Account under Reserve Funds and Deposits sections are of two categories viz., interest bearing and non-interest bearing. The State Government is, therefore, required to pay interest on un-invested balances lying under Reserve Funds and Deposits Bearing interest. During the year 2019-20, the State Government did not discharge interest liability of ₹22.62 crore³ in respect of State Disaster Response Fund which had a balance of ₹353.48 crore as of 31 March 2019.

Further, the balances under Deposits of other Autonomous Bodies and Miscellaneous Deposits under Deposits of Local Funds (which are under the category of Deposits bearing interest) were ₹2,046.41 crore and ₹138.14 crore respectively, as of 01 April 2019. While the Government was to pay interest on these deposits, it had not done so during the past five years.

The undischarged liability in the current year increases the burden on the Government's revenue expenditure at a future date.

4.4 Funds transferred directly to State Implementing Agencies

Government of India transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organizations for implementation of various schemes and programmes. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts. As these funds are not routed through the State budget/ State Treasury system, Finance Accounts do not capture the flow of these funds or the related expenditure.

During 2019-20 GoI released ₹13,398.95 crore directly to the implementing agencies. Major transfers in this regard pertained to Mahatma Gandhi National Rural Employment Guarantee Scheme (₹6,335.90 crore).

The details of direct transfer of funds to implementing agencies during the period 2015-20 are given in *Chart 4.1*.

³ As per SDRF guidelines the State Government shall pay interest to SDRF at the rate applicable to overdrafts under regulatory guidelines of RBI. The interest would be credited on a half yearly basis. The interest rate charged on overdraft was Bank rate plus two *percentage* points. The interest of ₹22.62 crore is calculated based on the minimum Repo rate during year i.e., 4.4 *per cent* per annum plus two *percentage* points on the opening balance of ₹353.48 crore (i.e., ₹353.48 crore X 6.4 *per cent*)

13,398,95 14,000.00 12,000.00 9,795.00 9.740.78 10,000.00 ₹ in crore 8,000.00 6,000.00 4,000.00 887.96 2,000.00 858.38 2015-16 2016-17 2017-18 2018-19 2019-20

Chart 4.1: Funds transferred directly to implementing agencies during 2015-20

Source: Finance Accounts

The significant increase of 37 per cent during 2019-20 was mainly on account of subsidy for decentralised procurement of food grains under National Food Security Act⁴ (₹4,439.07 crore, 73 per cent increase in comparison to ₹2,559.31 crore in 2018-19), Pradhan Mantri Kisan Samman Nidhi (₹2,188.24 crore⁵, 481 per cent increase in comparison to ₹376.85 crore in 2018-19) etc.

4.5 Deposits of Local Funds

Local Funds pertaining to Panchayat Raj Bodies (₹2,043.11 crore) and Urban Local Bodies (₹1,848.09 crore) are also maintained in State Government Accounts in Deposits section of Public Account. These accounts include the money realised under the Acts concerned as also monies received by these Local Bodies due to Grants from Finance Commissions of Central and State Governments. The details of Deposits of Local Funds are as under.

Table 4.1: Deposits of Local Funds

(₹ crore)

Fund	Head of Account		2015-16	2016-17	2017-18	2018-19	2019-20
		Opening Balance	7.62	707.84	942.52	1285.66*	1,677.95
Municipal	(8448-	Receipts	21.50	1,202.75	1,251.23	1,739.88	2,199.67
Fund	102)	Expenditure	30.89	968.07	1,103.67	1,347.59	2,029.53
		Closing Balance	(-)1.77	942.52	1,090.08	1,677.95	1,848.09
		Opening Balance	(-)18.82	229.11	568.98	923.81*	1,453.38
Village	(0110	Receipts	27.42	1,505.06	1,739.65	1,945.25	2,897.50
Panchayat Fund	(8448- 109-01)	Expenditure	34.98	1,165.19	1,788.25	1,415.68	2,772.18
	109-01)	Closing Balance	(-)26.38	568.98	520.38	1,453.38	1,578.70

4 Transferred to Telangana State Civil Supplies Corporation Limited

⁵ ₹2,176.34 crore to Agriculture Department and ₹11.90 crore to Telangana State Industrial Infrastructure Corporation Limited

Fund	Head of Account		2015-16	2016-17	2017-18	2018-19	2019-20
		Opening Balance	(-)19.55	(-)7.40	(-)45.62	101.31*	142.91
Mandal Praja Parishad	(8448-	Receipts	102.04	89.80	159.46	158.19	129.90
Funds	109-02)	Expenditure	90.11	128.02	92.10	116.59	181.19
runus		Closing Balance	(-)7.61	(-)45.62	21.74	142.91	91.62
	(8448- 109-03)	Opening Balance	(-)83.26	(-)22.58	-33.72	287.32*	364.09
Z'lla Daniala d		Receipts	154.45	139.36	206.90	203.15	265.66
Zilla Parishad		Expenditure	113.75	150.49	147.85	126.38	256.85
Funds		Closing Balance	(-)42.55	(-)33.72	25.33	364.09	372.90
Mandal Gram		Opening Balance	0.00	(-)0.11	(-)0.11	(-)0.11	(-)0.11
Panchayat for	(8448-	Receipts	0.00	0.00	0.00	0.00	0.00
Mandal Praja	109-04)	Expenditure	0.00	0.00	0.00	0.00	0.00
Parishad		Closing Balance	(-)0.11	(-)0.11	(-)0.11	(-)0.11	(-)0.11
	Total Closing Balance of Panchayat Bodies Funds to the end of the year			498.53	567.34	1,960.27	2,043.11

Source: Finance Accounts

An amount of ₹3,891.20 crore in the above mentioned five Heads of Account pertaining to Panchayat Bodies and Municipal local bodies is available with State Government in Public Account.

4.6 Delay in submission of Utilisation Certificates

Article 211-A.2 of TS Financial Code prescribes that where grants are sanctioned for specific purposes, the Departmental Officers concerned should obtain Utilisation Certificates (UC) from the grantees and submit to the Accountant General (A&E) after verification.

Utilisation Certificates for Grants in respect of 20 sanctions (amounting to ₹1,068.17 crore) of the year 2018-19 in respect of five schemes⁶ pertaining to Municipal Administration and Urban Development Department have not been submitted as of October 2020. Details are shown in *Table 4.2*:

Table 4.2: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2016-17	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2017-18	Nil	Nil	17	1,276.11	9	847.85	8	428.26
2018-19	8	428.26	30	1,233.83	18	593.92	20	1,068.17
2019-20	20	1,068.17	Nil	Nil	Nil	Nil	20	1,068.17

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

In the absence of the UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given. Pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds.

^{*} 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 Swachh Bharat, AMRUT, IHSDP, JNNURM and Smart Cities

4.6.1 Recording of Grantee Institutions as 'Others'

Grants-in-Aid (GIA) during the year 2019-20 (₹44,966.92 crore) constitute 36 *per cent* of the total expenditure (Revenue and Capital) of ₹1,25,656.68 crore⁷ of the State. Nearly 25 *per cent* of the GIA i.e., ₹11,204.46 crore pertained to a flagship scheme 'Investment Support Scheme' (Rythu Bandhu) alone, which aimed at supporting the farmers.

Audit noticed that there was no mechanism of giving separate code to each Institution (viz., various bodies and authorities) receiving Grants-in-Aid from the State Government and as a result, it would be difficult for the State Government and Accountant General (A&E) to monitor effectively the utilisation of GIA and the number of UCs outstanding against each Institution.

A few cases, where the details are mentioned as Others / Other GIA are shown in *Table 4.3*:

Table 4.3: Cases of releases, where details are mentioned as 'Others / Other Grants-in-Aid' under Detailed Head 310 Grants-in-Aid

(₹ in crore)

Sl. No.	Sub-Head Description	Object Head Description	Amount
1	Assistance to Non-Governmental Institutions	GIA towards salaries	1.09
2	Assistance to Non-Government Aided Institutions	GIA towards salaries	40.68
3	Assistance to Private Aided Institutions	GIA towards salaries	117.13
4	Bonalu Festival	Other GIA	15.00
5	Economic Support Scheme and Land Purchase Scheme	Other GIA	1,164.00
6	Incentives for Industrial Promotion	Other GIA	145.19
7	Incentives for Livestock and Poultry Production	Other GIA	3.93
8	Incentives for Milk Production	Other GIA	55.46
9	Incentives for S.C. Entrepreneurs for Industrial Promotion	Other GIA	190.15
10	Industrial Infrastructure Development Scheme	Other GIA	2.29
11	Other Expenditure	Other GIA	0.12
12	Other Offices	GIA towards salaries	3.07
13	Power Subsidy for Industries	Other GIA	23.15
14	Providing quality Education for STs	Other GIA	50.25
15	Social Security Scheme for Transport Drivers	Other GIA	11.38
16	Tribal Sub-Plan	Other GIA	55.09
	Total		1,877.98

Source: Finance Accounts

Government needs to institute an appropriate mechanism to identify each of the grantee Institutions uniquely, to ensure transparency in accounts.

4.7 Abstract Contingent Bills

Financial Rules⁸ permit drawal of advances on 'Abstract Contingent' (AC) bills for the purpose of meeting contingent expenditure for specified purposes. Treasury Rules and Government orders⁹ stipulate that all such advances drawn on AC bills should be adjusted

⁷ Revenue Expenditure:₹1,08,797.87 crore; and Capital Expenditure:₹16,858.81 crore

⁸ Article 102 of Telangana Financial code

⁹ GO No. 507, dt.10-04-2002

by submission of Detailed Countersigned Contingent (DCC) bills within three months from the drawal of AC bill.

There was an increase in the number of AC bills pending adjustment and the amount which was required to be adjusted as of 31 March, as shown in *Table 4.4*:

Table 4.4: Year-wise details of drawal of AC bills and submission of DCC bills

	2017-18		2018-19		2019-20	
	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
Opening Balance	1,212	177.08	1,678	186.94	2,342	319.12
Addition	2,970	142.98	6,102	607.11	4,279	463.55
Clearance	2,504	133.12	5,438	474.93	2,666	172.80
Closing Balance	1,678	186.94	2,342	319.12	3,955	609.87

Note: In respect of 2019-20, additions are AC bills drawn up to December 2019 while clearance and closing balance is as of March 2020 in view of the stipulated time of three months for submission of DCC bills *Source: Information furnished by Accountant General (Accounts and Entitlements)*

As can be seen from above, there is a significant increase in pendency in number of bills to be submitted as well as amount outstanding. It can also be seen that clearance was less than additions in each of the years resulting in increase in the closing balance.

Non-adjustment of advances for long periods is fraught with the risk of misappropriation of funds and therefore, requires close monitoring by the respective Designated Disbursing Officers for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted to be correct.

Out of ₹102.39 crore drawn on AC bills during the last quarter of 2019-20, ₹78.31 crore (13.84 per cent of total drawal of ₹565.94 crore drawn during the year 2019-20) was drawn during the month of March alone. It was seen that 95 per cent (₹74.61 crore) of the AC bills pertaining to March were drawn on the last working day of the year. Expenditure against AC bills at the end of the year indicates poor public expenditure management and points to drawal of funds primarily to exhaust the budget provision.

Department-wise status of pending DCC bills as of end of March 2020 is given in *Table 4.5*:

Table 4.5: List of Departments with substantial amounts of Abstract Contingent Bills pending adjustment

(₹ in crore)

Sl. No.	Name of the Department	No of items	Amount
1	Revenue Department	1,333	120.50
2	Panchayat Raj and Rural Development	762	88.01
3	Home	436	44.43
4	Youth Advancement Tourism and Culture	59	17.50
5	Higher Education	52	8.37
6	Health, Medical and Family Welfare	73	5.78
7	Backward Class Development	36	4.08
8	Law Department	09	2.11
9	Law Officers	29	1.27
10	Labour Employment, Training and Factories	09	1.10
	Total	2,798	293.15

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

4.8 Personal Deposit Accounts

Personal Deposit (PD) Accounts are maintained in the treasuries in the nature of banking accounts. These are established in the following manner:

- Under statutory provisions of the Government or be created under any law or rule having force of law by transferring funds from Consolidated Fund of the State for discharging liabilities of the Government arising out of special enactments.
- PD 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 Telangana Financial Code, the purpose of PD Accounts is to enable the Drawing Officers to incur expenditure pertaining to a scheme, for which funds are placed at their disposal, by transfer from the Consolidated Fund of the State.

Ordinarily, Government accords permission for opening of a PD Account under intimation to the Accountant General (A&E), Telangana. Except where the PD Accounts are created by law or rules having the force of law for discharging liabilities arising out of special enactments, other PD Accounts shall be closed at the end of the financial year.

4.8.1 Status of PD Accounts

As per the List of Major and Minor Heads of Account of Union and States, Personal Deposits are covered under Major Head of Account 8443 and Minor Head of Account 106. As per the information furnished by the Directorate of Treasuries and Accounts (DTA), there were 237 Personal Deposit Accounts as of March 2020, under Head of Account 8443-106 as in *Table 4.6*:

Sl. No. of Amount **Description** No. Accounts (₹ in crore) Number of PD Accounts existing at the beginning of the year 237 81.44 New PD Accounts opened during the year Receipts into the PD Accounts during the year 60 692.96 3 Total (Row Nos. 1+2 for Number of PD Accounts and 774.40 237 1+2+3 in respect of Amount) Payments during the year 5 34 681.46 Amount lapsed during the year 25 50.35 6 PD Accounts closed during the year 7 PD Accounts existing at the end of the year (Row Nos. 4-7 8 for Number of PD Accounts and 4-(5+6+7) in respect of 42.59 237 Amount)

Table 4.6: Details of PD accounts

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

• The DTA has informed that the difference between the Opening Balance of 237 for the year 2019 – 20 and the Closing Balance of 182 for the year 2018 -19 was due to detection of additional PD Accounts by the DTA on account of migration of data from the "Integrated Management of Pay and Accounts and Treasuries" software to

the "Integrated Financial Management and Information System" software.

- DTA informed that there were 132 operative accounts and 105 inoperative accounts. Even out of the 132 accounts, which the DTA mentioned as operative, 26 accounts had both receipts and payments. There were only receipts in 34 PD accounts and only payments in 8 PD accounts. There were neither receipts nor payments in 64 accounts.
- As per Article 271 (iii) (4) of Financial Code, if a PD account is not operated for a considerable period, the same should be closed in consultation with the officer in whose favour the deposit account has been opened. However, as of March 2020, there were 105 inoperative PD accounts with a closing balance of ₹3.66 crore.

4.8.2 Transfer of funds from Deposit Accounts to Bank Accounts

Government instructions¹⁰ (September 2012) stipulate that there shall not be any transfer of funds from PD accounts to Fixed Deposit Receipt account.

Audit noticed that seven Government Companies / Corporations have transferred an amount of ₹1,075.68 crore (initially credited to PD accounts) to other Bank Accounts outside Government Account.

Table 4.7: Companies / Corporations which have transferred amounts from PD accounts to other Bank Accounts outside Government Account

Sl. No	Name of the Company / Corporation	Amount (₹ in crore)
1	Telangana State Housing Corporation Limited	634.99
2	Telangana State Minorities Finance Corporation Limited	232.48
3	Telangana State Christian Minorities Finance Corporation Limited	131.61
4	Hyderabad Road Development Corporation Limited	50.00
5	Telangana State Police Housing Corporation Limited	24.92
6	Telangana State Film Development Corporation Limited	1.30
7	Photonic Valley Corporation	0.38
	Total	1,075.68

Source: Information furnished by Companies / Corporations concerned

Parking of Government Funds, which are to be maintained in Public Account, in Fixed Deposit Accounts not only affects the transparency of accounts, but is also fraught with the risk of misappropriation/misutilization.

4.8.3 Lapsing of amounts in PD Accounts

Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the Annual Financial Statement / Budget. Not transferring the unspent balances lying in PD Accounts to the Consolidated Fund before the closure of the financial year violates Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself. According to para 17.1 of Budget Manual, an appropriation authorised by the Legislature is operative only until the close of the financial year; any unspent balance lapses and is not available for utilisation in the

Memo No.351/B1/DCM.II/2012, dated 04 September 2012

following year. As per Article 271 (iii) (4)¹¹ Financial Code, PD accounts are to be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund of the State¹². The account may be opened again in the following year, if necessary, in the usual manner¹³.

The DTA informed that an amount ₹50.35 crore was lapsed during the year from out of 25 PD accounts. In the absence of release wise data for each PD Administrator, the accurate amount that is lapsable at the end of the year in respect of PD accounts in operation could not be verified in Audit.

4.9 Opaqueness in Accounts

Rule 29 of Government Accounting Rules, 1990, 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 and Other Expenditure is intended to be operated when the appropriate Minor Heads are not available. Routine operation of Minor Head - 800 is to be discouraged, as it renders the accounts opaque.

Transactions under this Minor Head during the years 2015-16 to 2019-20 are detailed in *Table 4.8*.

No. of Major Expenditure **Receipts** No. of Major Heads in under Minor Heads under under Minor Receipts14 Expenditure¹⁵ which Minor Head - 800 -Year **Head 800** which (₹ in crore) (₹ in crore) Head - 800 is Minor ₹ in crore ₹ in crore (per Head 800 is (per cent) operated operated 10,370 (13.62) 11,359 (12.69) 2015-16 76,134 47 89,486 47 2016-17 82,818 45 3,287 (3.97) 1,14,803 45 14,156 (12.33) 2017-18 3,555 (4.00) 1,09,267 88,824 47 45 13,214 (12.09) 2018-19 1,01,420 41 5,957 (5.87) 1,19,724 44 21,011 (17.55) 2019-20 1,02,544 46 8,090 (7.89) 1,25,657 39 22,045 (17.54)

Table 4.8: Receipts and Expenditure under Minor Head - 800

Source: Finance Accounts

Audit observations in this regard are as follows:

• The use of omnibus Minor Head in monetary value has increased during the past two years considerably - by 67 *per cent* in 2018-19 and 36 *per cent* in 2019-20 in respect of Receipts and 59 *per cent* in 2018-19 in respect of Expenditure, despite the CAG pointing this out in his Reports in earlier years.

¹¹ Memo. No. 1596/Accts./5y-4, Dt. 31-12-1959

except, where personal deposits are created by Law or rules having the force of law for discharging the liabilities arising out of special enactments

Personal Deposit Accounts in connection with the working of schemes of commercial and quasi-commercial nature and schemes whose transactions spread over more than one financial year, need not be closed at the end of the financial year. Such Deposit Accounts should be closed when the need for them ceases

¹⁴ Revenue Receipts

¹⁵ Both Revenue and Capital Expenditure

- In respect of 13 Receipt Major Heads like Rural Development, Urban Development,
 Power etc, entire Receipts totalling ₹163.70 crore were classified under Minor Head
 800 Other Receipts (details in *Appendix 4.1*).
- Under three Expenditure Heads, the entire expenditure totalling ₹989.90 crore was classified under Minor Head 800–Other expenditure (details in *Appendix 4.2*).
 Capital Outlay on Roads and Bridges alone was ₹956.63 crore under Minor Head 800.
- In respect of 12 Major Heads, receipts amounting to ₹2,014.67 crore, (details in *Appendix 4.3*) and in respect of 6 Major Heads, expenditure amounting to ₹15,473.88 crore, (details in *Appendix 4.4*), substantial proportion *i.e.*, 50 *per cent* or more was classified under Minor Head 800 Other Receipts / Expenditure.
- In respect of two receipt Major Heads *viz.*, State Goods and Services Tax (₹3,841.15 crore) and Miscellaneous General Services (₹1,764.48 crore), Receipts classified under Minor Head 800 Other Receipts were more than ₹1,000 crore in each case. Accounting for huge receipts under Other Receipts adversely impacts the quality of reporting of the Receipts.
- In respect of five¹6 Revenue Expenditure Major Heads, the expenditure classified under Minor Head 800 Other Expenditure was more than ₹1,000 crore in each case. Except in case of "Relief on account of natural calamities", under all the other Heads expenditure of more than ₹1,000 crore was classified under Minor Head 800 Other Expenditure in previous year also.

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting as it would not indicate disaggregated information on different activities of the Government separately in the accounts and distorts proper analysis of allocative priorities and quality of expenditure and receipts.

4.9.1 Use of omnibus Minor Head - 800 despite availability of specific Minor Heads

The omnibus Minor Head - 800 (with the relatable Sub-Head / detailed head) was operated despite availability of specific Minor Head in the following cases:

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⁽i) Crop Husbandry (₹9,339.19 crore), (ii) Power (₹3,954.87 crore), (iii) Welfare of SC and ST (₹2,701.03 crore), (iv) Nutrition (₹1,336.91 crore) and (v) Relief on account of Natural Calamities (₹1,186.58 crore)

Table 4.9: Use of Minor Head 800 with relatable Sub-Head despite availability of specific Minor Head

Sl. No.	Classification under Minor Head - 800	Description of Sub- Head used	Related specific Minor Head to be used	Related specific Minor Head Available	Amount (₹ in crore)
Rece	ipts				
1	0056-00- 800 -02	Sale of Jail Manufactures	0056-00-102	Sale of Jail Manufactures	0.18
2	0070-60 -800 -25	Receipts under Right to Information Act, 2005	0070-60-118	Receipts under Right to Information Act, 2005	0.01
3	0202-04- 800 -01	Receipts of the Department of Archaeology	0202-04- 101	Archives and Museums	0.52
Expe	enditure				
1	2403-00 -800 -08	Veterinary services and Animal Health	2403-00-101	Veterinary services and Animal Health	1.40
2	6700-01-800- 05-001	Loans to Telangana State Water Resources Infrastructure Development Corporation Limited (TSWRIDCL)	6700-01- 190	Loans to Public Sector and other undertakings	361.24

Source: Finance Accounts

In respect of loans to TSWRIDCL, an unauthorised Minor Head "250 – Loans to TSWRIDCL" which does not figure in the List of Major and Minor Heads of Account was operated for five months from October 2019 to February 2020 before transferring the expenditure to Minor Head 800, which was also not the correct Head of Account for Loans to Public Sector Undertakings.

Classification of receipts and expenditure under omnibus Minor Head - 800, despite availability of specific Minor Head does not aid in providing transparency in depiction of Receipts and Expenditure of the Government in Accounts.

4.10 Outstanding balances under Major Suspense and DDR 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/PAOs, 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 Accounts.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

Table 4.10: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	20)17-18	2018-	19	201	9-20
Major Head 8658 - Suspense	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101 - PAO suspense	6.62	(-) 0.34	143.45(+)4.88	104.21	87.55	128.10
Net Balance		Dr.100.49		Dr.144.61		Dr.104.06
102 - Suspense Account-Civil	(-)2.06	(-)2.07	181.53	412.35	648.37	622.21
Net Balance		Dr.13.49		Cr.217.33		Cr.191.17
109 - Reserve Bank Suspense - Headquarters	(-)0.39	2.57	5.06(+)0.25	(-)1.40	(-)0.07	(-)3.55
Net Balance		Cr.6.27		Dr.0.45		Dr.3.91
110 - Reserve Bank Suspense – CAO	(-) 1,392.71	(-) 1,349.12	(-)10.28	(-)28.90	(-)17.55	12.32
Net Balance		Cr.12.07		Dr.6.54		Cr.23.33
112 - Tax Deducted at Source (TDS) Suspense		53.83(+)78.20	0.00	(-)58.26	(-)0.02	251.04
Net Balance		Cr.121.50 Cr.63.24		Cr.63.24 Cr.314.31		Cr.314.31
123 - A.I.S Officers' Group Insurance Scheme	4.07	3.93	0.47	3.97	2.92	4.09
Net Balance		Cr.0.84		Cr.4.34		Cr.5.51
Major Head 8782-Cas	h Remittanc	es				
102 - P.W. Remittances	20,268.72	20,054.91	17,490.29	17,436.90	13,236.43	13,236.16
Net Balance		Dr.150.18		Dr.203.57		Dr.203.84
103 - Forest Remittances	420.29	517.94	247.59	427.46	589.39	623.57
Net Balance		Cr.173.41		Cr.353.28		Cr.387.45

Source: Finance Accounts

Public Works Remittances and Forest Remittances had considerable balances during the past three years. Uncleared balances under these Heads at the end of the year would adversely affect depiction of Government's Receipts and Expenditure accurately.

4.11 Reconciliation of Departmental figures

Generally Accepted Accounting Principles state that the purpose of 'account reconciliation' is to provide accuracy and consistency in financial accounts for which it is necessary to carry out periodic and regular reconciliation of accounts. Reconciliation and verification of figures is an important tool of financial management and it enables the Chief Controlling Officers (CCOs) to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts. Government Orders¹⁷ and Financial Rules¹⁸ stipulate that expenditure recorded in the books of CCOs of Departments is to be reconciled with the books of the Accountant General (Accounts and Entitlements) every month.

¹⁷ GO Ms .No. 507 of Finance (TFR) Department, dated 10 April 2002

¹⁸ Article 9 of State Financial Code

Table 4.11: Status of Reconciliation of Receipts and Expenditure figures

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled
Receipts				
2016-17	38	17	2	19
2017-18	26	8	0	18
2018-19	39	15	10	14
2019-20	38	9	23	6
Expenditure				
2016-17	173	90	41	42
2017-18	248	168	61	19
2018-19	281	191	51	39
2019-20	196	63	94	39

Note: Earlier figures up to 2018-19 were based on Major Head wise details for CCOs. For 2019-20, the data was grouped based on Major Heads under each CCO

Source: Finance Accounts

In monetary terms for 2019-20, receipts of ₹69,766.18 crore (68.03 *per cent* out of total Revenue Receipts) and expenditure of ₹93,628.14 crore (74.51 *per cent* out of Total Expenditure) were reconciled by the Controlling Officers.

- There were nine CCOs, who did not reconcile Receipts of ₹100 crore and above totalling ₹32,535.03 crore (*Appendix 4.5*).
- There were 45 Chief Controlling Officers (CCOs), who did not reconcile expenditure of ₹100 crore and above totalling ₹29,374.03 crore (*Appendix 4.6*). Out of this, there were six CCOs, who did not reconcile expenditure of ₹1,000 crore and above totalling ₹12,249.92 crore.
- There were four CCOs¹⁹, who have not reconciled Receipts of ₹100 crore and above persistently for three years.

Non-reconciliation impacts the assurance that all the receipts/expenditure have been taken to the final Head of Account properly. Failure to exercise this check results in misclassification and incorrect booking of receipts and expenditure in the accounts. It also reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

4.12 Compliance with Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Telangana in 2019-20 and deficiencies therein are detailed in *Table 4.12*.

⁽i) Commissioner of Commercial Taxes (), (ii) Commissioner and Inspector General of Stamps and Registration, (iii) Commissioner of Industries and (iv) Commissioner of Prohibition and Excise

Table 4.12: Compliance with Accounting Standards

Sl. No.	Accounting Standard	Compliance by State Government	Deficiencies noticed in compliance
1	IGAS 1: Guarantees Given by the Government – Disclosure requirements	Not complied (Statements 9 and 20 of Finance Accounts)	Detailed information like number of Guarantees for each institution was not furnished. The Statements are incomplete to that extent.
2	IGAS 2: Accounting and Classification of Grants-in-Aid	Not complied (Statement 10 of Finance Accounts)	Certain Grants-in-Aid were classified under Capital section in contravention of the Accounting Standards.
3	IGAS 3: Loans and Advances made by Governments	Not complied (Statement 18 of Finance Accounts)	Details not confirmed by the State Government. Detailed information of overdue Principal and interest was not furnished. Confirmation of balances of individual Loanee was not furnished.

Source: Indian Government Accounting Standards and Finance Accounts

Non-compliance to Accounting Standards would impact the objective of financial statements to present a true and fair view of the financial position and cash flows apart from hindering fiscal transparency.

4.13 Submission of Accounts / Separate Audit Reports of Autonomous Bodies

Certification of accounts of Autonomous Bodies (ABs) set up by the State Government is conducted under Section 19 or 20 of "Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act 1971" (DPC Act).

There were 34 ABs under the audit purview of the CAG as per Section 19 or 20 of the DPC Act, which were required to submit their Annual Accounts to CAG before 30 June every year. Out of 34, only one AB i.e., Telangana State Electricity Regulatory Commission had submitted its accounts up to 2019-20.

Table 4.13: Age-wise details of delay in submission of Annual Accounts of Autonomous Bodies

Sl. No	Delay in Number of Years	No. of Bodies/ Authorities
1	1	7
2	2-3	15
3	4-5	3
4	6-7	3
5	8-9	0
6	10-11	4
7	12-13	1
Total		33

None of the remaining 33 ABs have submitted their Annual Accounts in time. There were delays ranging from 1 to 13 years in submission of Accounts.

• The Metropolitan Legal Services Authority and Integrated Tribal Development Agencies of Bhadrachalam, Eturunagaram and Utnoor, have not submitted their Annual Accounts for 10 years or more (December 2020).

• Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) had not submitted annual accounts from 2010-11 onwards. Despite non-rendering of accounts for 10 years, the Government has been providing loans and guarantees to HMWSSB. During 2019-20, the State Government has provided ₹825.00 crore as Loan to HMWSSB and the total loans outstanding as of March 2020 stood at ₹6,457.30 crore. Further, the value of Guarantees given by State Government to HMWSSB outstanding as of March 2020 was ₹3,481 crore.

Delay in submission of Annual Accounts dilutes accountability and impacts the purpose of preparation of accounts. State Government needs to ensure that the Autonomous Bodies receiving Loans, Guarantees or Grants prepare and submit their annual accounts in a timely manner, so as to ensure that financial misrepresentations or irregularities, if any, do not go undetected.

4.14 Departmental Commercial Undertakings / Companies Corporations

According to Section 395 of the Companies Act, 2013, every State Government shall cause an annual report on the working and affairs of the Government Company to be prepared within three months of its Annual General Meeting and as soon as may be after such preparation, lay before the House or both Houses of the State Legislature together with a copy of the audit report and comments upon or supplement by the Comptroller and Auditor General of India to the Audit Report.

There were 59 Government Companies (including five Power Sector Companies) and 3 Statutory Corporations, which were to submit their Annual Accounts to Accountant General (Audit), Telangana.

- As per the information furnished by the 54 Companies²⁰ and 3 Statutory Corporations, the State Government has invested an amount of ₹1,936.16 crore prior to bifurcation of Andhra Pradesh with effect from 2 June 2014. The State Government has made an investment of ₹4,475.69 crore after formation of Telangana as a separate State (as of 31 March 2020). However, as per Finance Accounts, the investments in these Companies / Corporations were ₹2,366.56 crore and ₹2,778.14 crore (as of March 2020) respectively, before and after Andhra Pradesh Re-organisation Act 2014. Thus, there is a need for reconciliation of investments as per Government Accounts and as per the Balance Sheets of Government Companies and Statutory Corporations.
- Apart from this, Government Accounts also depict an amount of ₹4,396.20 crore and ₹18,489.64 crore invested in Power Companies before and after bifurcation respectively. Since this information was not furnished (December 2020) by the Power Companies, the details could not be verified.

²⁰ excluding five power companies, which did not provide information

- The following is the status of finalisation of Annual Accounts by these Government Companies and Corporations.
 - Out of the above, five Government Companies (one Government Company in Power Sector i.e., TS GENCO, and four other Government Companies²¹) have finalised their accounts up to 2019-20 and are up to date.
 - O In respect of 14 Government Companies and 3 Statutory Corporations, even the first accounts have not been received (October 2020). It was noticed that Telangana State Mineral Development Corporation Suliyari Coal Company Limited and Telangana State Industrial Development Corporation Limited were to finalise the Annual Accounts for seven and six years respectively.
 - o In respect of the remaining 40 Government companies, delays in finalisation of Annual Accounts ranged from one to five years. There were four companies²², which were to submit their annual accounts from 2015-16 onwards.

In the absence of timely finalization of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken on time.

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

In order to identify institutions / organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (DPC Act), information regarding financial assistance given by the Government in the form of Grants/ Loans is required. As per Regulation 88 of Regulations on Audit and Accounts, 2020, Governments and Heads of Departments (HoDs) which sanction Grants and/or Loans to bodies or authorities shall furnish to the Audit office, by end of July every year, a statement of such bodies and authorities to which grants and/or loans aggregating rupees ten lakh or more were paid during the preceding year indicating: (a) the amount of assistance; (b) the purpose for which the assistance was sanctioned; and (c) the total expenditure of the body or authority.

No such information was furnished by Government /HoDs in spite of reminders. In the absence of information, the entities auditable under Section 14 and Section 15 could not be ascertained by Audit (December 2020).

^{21 (}i) Telangana Water Resources Development Corporation Limited, (ii) The Singareni Collieries Company Limited, (iii) Damodara Mineral Private Limited and (iv) Telangana Industrial Health Clinic Limited

^{22 (}i) Telangana State Trade Promotion Corporation Limited, (ii) Hyderabad Growth Corridor Limited, (iii) Pashamylaram Textile Park Limited and (iv) Telangana State Tourism Development Corporation Limited

4.16 Follow up action on State Finances Audit Reports

As per the instructions issued by Finance and Planning Department in November 1993, Administrative Departments are required to submit Explanatory Notes within three months of presentation of Audit Reports to Legislature, without waiting for any notice or call from Public Accounts Committee, duly indicating action taken or proposed to be taken.

Finance Department furnished Explanatory Notes for Audit Report on State Finances for the year 2016-17 in July 2018. However, it has not furnished the Explanatory Notes for Audit Reports on State Finances for the years 2014-15, 2015-16 and 2017-18 as of January 2021.

4.17 Conclusion

Funds pertaining to State Compensatory Afforestation Fund (SCAF), which should have been maintained in Public Account, were parked in banks in violation of the Rules governing the accounting and maintenance of such funds. Government did not discharge its interest liability over the funds lying in State Disaster Response Fund.

Operation of PD accounts lacked transparency and contrary to Government instructions, substantial funds from PD accounts were transferred to bank accounts and taken out of the Government accounts, and consequently, out of oversight of Legislature.

Indiscriminate operation of omnibus Minor Head 800 – Other Receipts and Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure. Non-submission of UCs and DCC bills by Departments for funds drawn for specific developmental programmes/ projects was violative of prescribed financial rules and directives and point to inadequate internal controls and deficient monitoring mechanism of the State Government.

Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

Delay in submission of Annual Accounts by the Government companies and Autonomous Bodies dilutes accountability and impacts the purpose of preparation of accounts. The State Government is yet to comply with Indian Government Accounting Standards.

4.18 Recommendations

- i. State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.
- ii. Operation and maintenance of PD accounts need to be streamlined and Government instructions with regard to transfer of funds out of these accounts should be followed scrupulously.
- iii. Government should also ensure that prescribed accounting procedure is complied with, with regard to funds related to SCAF and these funds are not parked in bank accounts.

- iv. State Government needs to institute a rigorous monitoring mechanism to ensure that all the Departments comply with the prescribed rules and procedures with regard to submission of UCs and DCC bills to the Accountant General (A&E) within the stipulated timeframe.
- v. State Government should ensure that all the Public Sector Undertakings and Autonomous Bodies clear the arrears in accounts within an agreed timeframe and render their annual accounts in a timely manner to bring in transparency and accountability in their functioning.
- vi. Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling officers reconcile their figures of receipts and expenditure with those of the Accountant General (A&E) at prescribed intervals to provide transparency and accuracy in accounting of Government transactions.

Sudhafajan (SUDHA RAJAN)

Accountant General (Audit), Telangana

Hyderabad The

Countersigned

(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

The

New Delhi

Appendices

Appendix 1.1

Profile of Telangana

(Refer paragraph 1.1, page 1)

A	General Data							
Sl.		icula	rs		Figure	es		
No								
1	Area (source: www.telangana.gov.i	1,12,	,077 Sq. km					
2	Population					-		
	a. 2011			3.51 crore				
	b. 2020					3.76 crore		
3	a. Density of Population (as per				270 person	s per Sq.km		
	(All India Density = 325 pers					~ .		
	b. Density of Population (as per				312 persons	s per Sq.km.		
4	(All India Density = 382 pers			1:_		0.24		
4	Population Below Poverty Line (Bl Average=21.9 per cent)	PL) 2	011-12 (All Inc	11a		9.2 per cent		
5	a. Literacy (as per 2001 Census	s) (A1)	India Average	=64.80 ner cent)		58 per cent		
, ,	b. Literacy (as per 2011 Census				6	66.5per cent		
6	Infant mortality (per 1000 live birth		maia Average	13.00 per cent)		29		
U	(All India Average = 33 per 1,000 l		rths)			2)		
7	Life Expectancy at birth (All India			s)		69.6		
8	Gross State Domestic Product (GSI				₹ 9.6	69,604 crore		
9	Gross State Domestic Product (GSI			-		3,258 crore		
10	Per capita GSDP CAGR (2011-12		Telangana	<u> </u>		12.08		
	2019-20)		General Categ	ory States		10.53		
11	GSDP CAGR (2011-12 to 2019-20)	Telangana			13.21		
			General Categ	ory States		11.98		
12	Population Growth (2011 to 2020)		Telangana		6.97			
			General Categ	ory States		10.98		
В	Financial Data							
В	Financial Data		Particula					
В	Financial Data		General	Telangana	General	Telangana		
		G.	General Category	Telangana (2014-15 to	Category States	(2018-19		
	Financial Data		General Category ates(2014-15	Telangana	Category States (2018-19 to	(2018-19 to 2019-		
			General Category	Telangana (2014-15 to 2018-19)	Category States (2018-19 to 2019-20)	(2018-19		
Comp	pounded Annual Growth Rate		General Category ttes(2014-15 to 2018-19)	Telangana (2014-15 to 2018-19) (in per ce	Category States (2018-19 to 2019-20) nt)	(2018-19 to 2019- 20)		
Comp	pounded Annual Growth Rate Revenue Receipts		General Category ites(2014-15 o 2018-19)	Telangana (2014-15 to 2018-19) (in per ce 18.73	Category States (2018-19 to 2019-20) nt) 2.08	(2018-19 to 2019- 20)		
Comp a. b.	Revenue Receipts Tax Revenue		General Category ates(2014-15 to 2018-19) 12.71 10.42	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90	Category States (2018-19 to 2019-20) nt) 2.08 2.12	(2018-19 to 2019- 20) 1.11 4.54		
Comp a. b. c.	Revenue Receipts Tax Revenue Non -Tax Revenue		General Category stes(2014-15 to 2018-19) 12.71 10.42 9.67	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45		
Comp a. b.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and		General Category ates(2014-15 to 2018-19) 12.71 10.42	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90	Category States (2018-19 to 2019-20) nt) 2.08 2.12	(2018-19 to 2019- 20)		
Comp a. b. c.	Revenue Receipts Tax Revenue Non -Tax Revenue		General Category stes(2014-15 to 2018-19) 12.71 10.42 9.67	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45		
a. b. c. d.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92		
a. b. c. d.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92		
a. b. c. d.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92		
a. b. c. d. f. g. h.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure		General Category ites(2014-15 o 2018-19) 12.71 10.42 9.67 21.81 8.1	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82		
a. b. c. d. f. g.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07		
a. b. c. d. f. g. h. i.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and Advances		General Category stes(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22 12.35 11.11	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65 28.23 55.66	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71 (-)3.86 (-)12.5	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07 (-)25.54 (-)0.07		
a. b. c. d. f. g. h. i.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and Advances Total Expenditure		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22 12.35 11.11	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65 28.23 55.66 20.69	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71 (-)3.86 (-)12.5	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07 (-)25.54 (-)0.07		
a. b. c. d. f. g. h. i.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and Advances Total Expenditure Revenue Expenditure Revenue Expenditure		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22 12.35 11.11	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65 28.23 55.66	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71 (-)3.86 (-)12.5	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07 (-)25.54 (-)0.07		
a. b. c. d. f. g. h. i.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and Advances Total Expenditure Revenue Expenditure Revenue Expenditure Capital Expenditure		General Category Ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22 12.35 11.11 12.22 9.37	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65 28.23 55.66 20.69 14.03	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71 (-)3.86 (-)12.5 4.09 11.81	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07 (-)25.54 (-)0.07 4.62 6.48		
a. b. c. d. f. g. h. i.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and Advances Total Expenditure Revenue Expenditure Revenue Expenditure Revenue Expenditure on Education Revenue Expenditure on Health		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22 12.35 11.11 12.22 9.37	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65 28.23 55.66 20.69 14.03 18.66	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71 (-)3.86 (-)12.5 4.09 11.81	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07 (-)25.54 (-)0.07 4.62 6.48 21.11		
a. b. c. d. f. g. h. i.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and Advances Total Expenditure Revenue Expenditure Revenue Expenditure on Education Revenue Expenditure on Health Revenue Expenditure on Salary		General Category Ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22 12.35 11.11 12.22 9.37	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65 28.23 55.66 20.69 14.03	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71 (-)3.86 (-)12.5 4.09 11.81	(2018-19 to 2019- 20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07 (-)25.54 (-)0.07 4.62 6.48		
a. b. c. d. f. g. h. i. j. k.	Revenue Receipts Tax Revenue Non -Tax Revenue State's share of union taxes and duties Grants-in-Aid from Govt. of India Total Receipts Revenue Expenditure Capital Expenditure Disbursements of Loans and Advances Total Expenditure Revenue Expenditure Revenue Expenditure Revenue Expenditure on Education Revenue Expenditure on Health		General Category ites(2014-15 to 2018-19) 12.71 10.42 9.67 21.81 8.1 12.72 12.22 12.35 11.11 12.22 9.37	Telangana (2014-15 to 2018-19) (in per ce 18.73 21.90 11.62 22.70 3.53 18.70 17.65 28.23 55.66 20.69 14.03 18.66	Category States (2018-19 to 2019-20) nt) 2.08 2.12 23.44 (-)13.86 21.24 4.34 5.71 (-)3.86 (-)12.5 4.09 11.81	(2018-19 to 2019-20) 1.11 4.54 (-)26.45 (-)13.92 41.82 1.10 12.07 (-)25.54 (-)0.07 4.62 6.48 21.11		

Appendix 1.2

Time Series Data on State Government Finances

(Refer paragraph 1.5.1; page 9)

(₹in crore)

		2015-16	2016-17	2017-18	2018-19	2019-20
Part	A Receipts					
1	Revenue Receipts	76,134(99.88)	82,818(99.81)	88,824(99.84)	1,01,420(99.93)	1,02,544(99.94)
	(i) Tax Revenue	39,975(52.51)	48,408(58.44)	56,520(63.63)	64,674(63.77)	67,597(65.92)
	State Goods and Services Tax			13,073(23.13)	23,840(36.86)	23,517(34.79)
	Taxes on Sales, Trade, etc.	29,847(74.66)	34,235(41.33)	25,107(44.42)	20,291(31.37)	20,674(30.58)
	State Excise	3,809(9.53)	5,581(6.74)	9,421(16.67)	10,638(16.45)	11,992(17.74)
	Taxes on Vehicles	2,309(5.78)	3,394(4.09)	3,590(6.35)	3,762(5.82)	3,935(5.82)
	Stamps and Registration fees	3,102(7.76)	3,822(4.61)	4,202(7.43)	5,344(8.26)	6,671(9.87)
	Land Revenue	104(0.26)	7(0.01)	4(0.01)	0.42(0)	1(0)
	Other Taxes	804(2.01)	1,369(1.65)	1,123(1.99)	799(1.24)	807(1.19)
	(ii) Non-Tax Revenue	14,414(18.93)	9,782(11.79)	7,825(8.81)	10,007(9.87)	7,360(7.18)
	(iii) State's share in Union taxes and duties	12,351(16.22)	14,876(17.93)	16,420(18.49)	18,561(18.30)	15,988(15.59)
	(iv) Grants-in-Aid from GOI	9,394(12.34)	9,752(11.81)	8,059(9.07)	8,178(8.06)	11,599(11.31)
2	Misc. Capital Receipts	0(0)	0(0)	0(0)	0(0)	0(0)
3	Recovery of Loans and Advances	88(0.12)	156(0.19)	138(0.16)	66(0.07)	62(0.06)
4	Total revenue and Non-debt capital receipts (1+2+3)	76,222(81.33)	82,974(64.93)	88,962(64.41)	1,01,486(66.57)	1,02,606(57.60)
5	Public Debt Receipts	17,498(18.67)	44,819(35.07)	49,153(35.59)	50,962(33.43)	75,533(42.40)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	16,465(94.10)	31,775(70.89)	25,595(52.07)	28,705(56.33)	38,078(50.41)
	Net transactions under Ways and Means Advances and Overdraft	112(0.64)	12,088(26.97)	22,922(46.63)	21,823(42.82)	37,248(49.32)
	Loans and Advances from Government of India	921(5.26)	956(2.13)	636(1.30)	434(0.85)	207(0.27)
6	Total Receipts in the Consolidated Fund (4+5)	93,720(52.04)	1,27,793(53.9 5)	1,38,115(56.46)	1,52,448(57.19)	1,78,139(68.24)
7	Contingency Fund receipts	0(0)	0(0)	0(0)	0.09(0)	2.10(0.01)
8	Public Account receipts	86,385(47.96)	1,09,094(46.0 5)	1,06,511(43.54)	1,14,152(42.81)	82,860(31.75)
9	Total Receipts of Government (6+7+8)	1,80,105	2,36,887	2,44,626	2,66,600	2,61,001
Part	B Expenditure/Disbursement					
10	Revenue Expenditure	75,896(79.82)	81,432 (68.87)	85,365(73.81)	97,083(75.59)	1,08,798 (80.97)
	Plan	21,240(27.99)	24,580(30.18)	0(0)	0(0)	0(0)
	Non-plan	54,656(72.01)	56,852(69.82)	85,365(100)	97,083(100)	1,08,798(100)
	General Services (including interest payments)	23,247(30.63)	25,125(30.85)	30,872(36.16)	34,199(35.23)	36,441(33.49)
	Social Services	30,466(40.14)	35,286(43.33)	37,260(43.65)	39,721(40.91)	45,833(42.13)
	Economic Services	22,043(29.04)	20,949(25.73)	17,200(20.15)	23,158(23.85)	26,524(24.38)
	Grant-in-Aid and contributions	140(0.18)	72(0.09)	33(0.04)	5(0.01)	0(0)
11	Capital Expenditure	13,590(14.29)	33,371(28.22)	23,902(20.66)	22,641(17.63)	16,859 (12.55)
	Plan	13,590(100)	33,366(99.99)	0(0)	0(0)	0(0)
	Non-plan	0(0)	5(0.01)	23,902(100)	22,641(100)	16,859(100)
	General Services	274(2.02)	567(1.70)	565(2.36)	703(3.11)	645(3.83)
	Social Services	2,152(15.84)	3,162(9.47)	2,851(11.93)	5,620(24.82)	1,765(10.47)
	Economic Services	11,164(82.14)	29,642(88.83)	20,486(85.71)	16,318(72.07)	14,449(85.70)
12	Disbursement of Loans and Advances	5,233(5.50)	3,402(2.88)	6,209(5.37)	8,706(6.78)	8,700(6.47)

		2015-16	2016-17	2017-18	2018-19	2019-20
13	Inter-State Settlement	359	50(0.03)	186(0.16)	5(0)	8(0.01)
14	Total (10+11+12+13)	95,078	1,18,255(88.3 7)	1,15,662(80.81)	1,28,435(81.73)	1,34,365 (74.60)
15	Repayment of Public Debt	2,845(2.91)	15,568 (11.63)	27,471(19.19)	28,716(18.27)	45,740 (25.40)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	2,582(90.76)	2,717(17.45)	4,137(15.06)	6,059(21.10)	8,053(17.61)
	Net transactions under Ways and Means Advances and Overdraft	112(3.93)	12,088(77.65)	22,922(83.44)	21,823(76)	37,248(81.43)
	Loans and Advances from Government of India	151(5.31)	763(4.90)	412(1.50)	834(2.90)	439(0.96)
16	Appropriation to Contingency Fund	0(0)	0(0)	0(0)	0(0)	0(0)
17	Total disbursement out of Consolidated Fund (14+15+16)	97,923(54.76)	1,33,823(55.9 5)	1,43,133(59.20)	1,57,151(58.99)	1,80,105 (70.32)
18	Contingency Fund Disbursements	0(0)	0.09(0)	0(0)	2.10(0.01)	4.22(0)
19	Public account disbursement	80,909(45.24)	1,05,368(44.0 5)	98,664(40.80)	1,09,222(41)	76,014(29.68)
20	Total disbursement by the state (17+18+19)	1,78,832	2,39,191	2,41,797	2,66,375	2,56,123
Part	C Deficits					
21	Revenue Deficit(-)/Surplus(+) (1-10)	238	1,386	3,459	4,337	(-)6,254
22	Fiscal Deficit(-)/Surplus (+) (4-14)	(-)18,856	(-)35,281	(-)26,700	(-)26,949	(-)31,751
23	Primary Deficit (-)/Surplus (+) (22-24)	(-)11,298	(-)26,672	(-)15,864	(-)14,363	(-)17,365
Part	D Other Data					
24	Interest Payments (included in Revenue Expenditure)	7,558	8,609	10,836	12,586	14,386
25	Financial Assistance to local bodies etc.	29,058	30,648	30,416	37,908	44,967
26	Ways and Means Advances / Overdraft availed (days)	4	99	7	32	87
27	Interest on Ways and Means Advances/Overdraft	0.04	7	14	15	29
28	Gross State Domestic Product (GSDP)#	5,77,902	6,58,235	7,53,127	8,61,031	9,69,604
29	Outstanding fiscal liabilities (year-end) ^{\(\psi\)} \$	97,992	1,34,738	1,65,849	1,96,963	2,32,181
30	Outstanding guarantees (yearend) $^{\Omega}$	26,619	29,965	41,892	77,713	89,601
31	Maximum amount guaranteed (yearend)	28,094	31,871	41,892	77,713	77,315
32	Number of incomplete projects*	23	92	19	20	604◊
33	Capital blocked in incomplete projects*	24,224	50,216	70,758	1,00,494	1,36,061
Part	E Fiscal Health Indicators					
I	Resource Mobilization					
	Own Tax revenue/GSDP	0.069	0.074	0.075	0.075	0.070
	Own Non-Tax Revenue/GSDP	0.025	0.015	0.010	0.012	0.008
	Central transfers/GSDP	0.038	0.037	0.033	0.031	0.028
II	Expenditure Management					
	Total Expenditure/GSDP	0.169	0.203	0.190	0.183	0.186
	Total Expenditure/Revenue Receipts	1.249	1.428	1.611	1.550	1.756
	Revenue Expenditure/ Total Expenditure	0.739	0.689	0.596	0.618	0.604

		2015-16	2016-17	2017-18	2018-19	2019-20
	Expenditure on Social Services/Total Expenditure	0.395	0.349	0.280	0.289	0.264
	Expenditure on Economic Services/Total Expenditure	0.354	0.432	0.263	0.251	0.227
	Capital Expenditure/Total Expenditure	0.143	0.282	0.167	0.144	0.094
	Capital Expenditure on Social and Economic Services/ Total Expenditure	0.141	0.277	0.163	0.140	0.090
III	Management of Fiscal Imbalances					
	Revenue Deficit (Surplus)/GSDP	0.0004	0.0021	0.005	0.005	(-)0.006
	Fiscal Deficit/ GSDP	(-)0.0326	(-)0.0536	(-)0.035	(-)0.031	(-)0.033
	Primary Deficit/ GSDP	(-)0.0195	(-)0.0405	(-)0.021	(-)0.017	(-)0.018
	Revenue Surplus/Fiscal Deficit	(-)0.013	(-)0.039	(-)0.130	(-)0.161	0.197
	Primary Revenue Balance/ GSDP	0.0136	0.0154	0.019	0.020	0.008
IV	Management of Fiscal Liabilities					
	Fiscal liabilities/ GSDP	0.170	0.205	0.220	0.229	0.239
	Fiscal liabilities/RR	1.287	1.627	1.867	1.942	2.264
	Primary Deficit <i>vis-à-vis</i> quantum spread	NA	NA	NA	NA	NA
	Debt Redemption: (Principal + Interest)/Total Debt Receipts	0.83	0.74	0.83	0.88	0.86
V	Other Fiscal Health Indicators					
	Return on Investment	5.21	0.54	0.62	0.48	0.53
	Balance from Current Revenue					
	Financial Assets/Liabilities	0.351	0.502	0.595	0.658	0.684

Note: Figures in brackets represent percentages (rounded) to total of each sub-heading

- # GSDP data from Directorate of Economics and Statistics, Government of Telangana
- ^Ψ Nomenclature and its components were changed so as to show total liabilities of Government (*i.e.* Public debt and other obligations) as per revised format of Chapter-1.
- * The information is not exhaustive but is as furnished by the Departmental authorities
- Excluding un-apportioned balances retained with successor state of Andhra Pradesh as per AP Reorganisation Act 2014
- $^{\Omega}$ As disclosed Budget documents
- Differs with figures of previous years on account of additional information received in respect of Roads, Bridges, Buildings, Water Supply Schemes and others

Appendix 2.1

List of Institutions in respect of which Telangana has reservations in bifurcation process

(Refer paragraph 2.8; page 63)

Sl. No.	Name of the Institution included under Schedule IX of the Andhra Pradesh Reorganisation Act, 2014
1.	Andhra Pradesh Dairy Development Corporation, Hyderabad
2.	Andhra Pradesh Dairy Development Cooperative Federation Limited, Hyderabad
3.	Andhra Pradesh State Tourism Development Corporation Limited
4.	Andhra Pradesh GENCO
5.	Andhra Pradesh TRANSCO
6.	Central Power Distribution Corporation Limited
7.	Northern Power Distribution Corporation Limited
8.	Andhra Pradesh Heavy Machinery and Engineering Limited
9.	Andhra Pradesh Power Finance Corporation Limited
10.	Andhra Pradesh State Civil Supplies Corporation Limited
11.	Andhra Pradesh State Film and Television Development Corporation Limited
12.	Andhra Pradesh Housing Board
13.	Deccan Infrastructure and Land Holdings Limited
14.	Andhra Pradesh Water Resources Development Corporation
15.	Andhra Pradesh Industrial Infrastructure Corporation Limited
16.	Andhra Pradesh Industrial Development Corporation Limited
17.	Andhra Pradesh State Finance Corporation
18.	Andhra Pradesh Handicraft Development Corporation Limited
19.	Andhra Pradesh State Handloom Weavers Co-operative Society Ltd. (APCO)
20.	Andhra Pradesh Aviation Corporation Limited
21.	Andhra Pradesh State Road Transport Corporation
22.	Andhra Pradesh Foods
23.	Andhra Pradesh Vikalangula Co-operative Corporation

Appendix 3.1

Excess expenditure against amounts authorised by the Legislature during the year

(Refer paragraph 3.4.2.1; page 73)

Sl. No.	Grant No.	Name of the Grant or appropriation	Total Grant (in Rupees)	Expenditure (in Rupees)	Excess expenditure (in Rupees)
Reve	enue Voted	l			
1	IV	General Administration and Elections	5,05,05,08,000	5,44,97,92,515	39,92,84,515
2	V	Revenue, Registration and Relief	16,86,78,66,000	30,28,88,76,285	3,42,10,10,285
3	VI	Excise Administration	1,99,16,80,000	2,54,49,18,791	55,32,38,791
4	IX	Fiscal Administration, Planning, Surveys and Statistics	1,07,41,27,22,000	1,90,59,73,03,316	83,18,45,81,316
5	X	Home Administration	52,53,56,65,000	58,86,13,18,072	6,32,56,53,072
6	XI	Roads, Buildings and Ports	9,84,26,91,000	10,33,02,78,447	48,75,87,447
7	XII	School Education	93,46,83,70,000	1,06,30,10,91,345	12,83,27,21,345
8	XIV	Technical Education	3,27,43,18,000	3,31,53,46,059	4,10,28,059
9	XVIII	Housing	3,57,31,61,000	4,58,40,72,195	1,01,09,11,195
10	XXIV	Forest, Science, Technology and Environment	7,69,51,63,000	7,78,35,86,769	8,84,23,769
		Sub Total	3,01,71,21,44,000	4,20,05,65,83,794	1,18,34,44,39,794
Capi	ital Voted				
11	V	Revenue, Registration and Relief	1,23,98,000	1,23,98,880	880
12	VI	Excise Administration	76,85,000	79,98,070	3,13,070
13	VIII	Transport Administration	1,42,84,000	1,42,85,257	1,257
14	X	Home Administration	2,90,20,62,000	2,96,07,40,141	5,86,78,141
15	XIV	Technical Education	5,51,72,000	7,24,28,982	1,72,56,982
16	XX	Labour and Employment	8,76,69,000	9,28,00,632	51,31,632
17	XXIII	Backward Classes Welfare	6,52,70,000	8,25,44,145	1,72,74,145
18	XXVII	Agriculture	47,93,67,000	65,30,79,664	17,37,12,664
19	XXVIII	Animal Husbandry and Fisheries	5,50,00,000	7,18,29,697	1,68,29,697
20	XXIX	Forest, Science, Technology and Environment	38,65,25,000	62,28,64,015	23,63,39,015
21	XXX	Co-operation	1,42,32,000	1,42,32,919	919
22	XXXII	Rural Development	5,52,75,37,000	5,77,11,47,000	24,36,10,000
23	XXXIX	Information Technology, Electronics and Communications	79,54,67,000	1,14,57,67,000	35,03,00,000
		Sub Total	10,40,26,68,000	11,52,21,16,402	1,11,94,48,402
Loai	ıs Voted				
24	XI	Roads, Buildings and Ports	4,52,52,83,000	5,71,19,54,791	1,18,66,71,791
25	XVII	Municipal Administration and Urban Development	8,55,20,00,000	9,20,71,39,000	65,51,39,000
26	XXVIII	Animal Husbandry and Fisheries	9,26,96,38,000	10,11,37,68,409	84,41,30,409
27	XXXV	Energy	2,35,46,70,000	3,44,83,42,900	1,09,36,72,900
28	XXXVI	Industries and Commerce	1,74,24,42,000	2,22,71,39,000	48,46,97,000
		Sub-Total	26,44,40,33,000	30,70,83,44,100	4,26,43,11,100
Reve	enue Char				
29	V	Revenue, Registration and Relief	3,26,74,06,000	3,75,54,10,021	48,80,04,021
30	X	Home Administration	24,43,000	24,43,100	100
31	XXXI	Panchayat Raj	0	55,95,000	55,95,000
		Sub-Total	3,26,98,49,000	3,76,34,48,121	4,49, 35,99,121

Appendices

Sl. No.	Grant No.	Name of the Grant or appropriation	Total Grant (in Rupees)	Expenditure (in Rupees)	Excess expenditure (in Rupees)
Loar	s Charge	d			
32	IX	Fiscal Administration, Planning, Surveys and Statistics	1,02,65,77,13,000	4,57,40,02,98,343	3,54,74,25,85,343
		Grant Total	4,44,48,64,07,000	9,23,45,07,90,760	4,78,96,43,83,760

Appendix 3.2

Excess expenditure relating to Previous years requiring regularisation (Refer paragraph 3.4.2.3; page 75)

(₹in crore)

Year	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regular -isation
	1	I	State Legislature	Revenue Charged	1.42	
	2	XI	Roads, Buildings and Ports	Loans Voted	1.95	
2014-15	3	XVIII	Housing	Loans Voted	5.30	
	4	XXV	Women, Child and Disabled Welfare	Capital Voted	1.38	
	5	XXVIII	Animal Husbandry and Fisheries	Capital Voted	3.88	
	6	XXXIII	Major and Medium Irrigation	Capital Voted	289.72	
	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	
2015-16	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Voted	4,934.94	
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	322.50	
	6	X	Home Administration	Revenue Voted	328.30	
	7	XVIII	Housing	Loans Voted	185.06	
	8	XX	Labour and Employment	Capital Voted	2.72	Not yet
	9	XXIX	Forest, Science and Technology and Environment	Capital Voted	0.07	regulari sed
	1	V	Revenue, Registration and Relief	Revenue Voted	130.87	
	2	V	Revenue, Registration and Relief	Capital Voted	3.04	
	3	VI	Excise Administration	Revenue voted	20.83	
	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue voted	4,334.47	
	5	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	2.16	
	6	X	Home Administration	Revenue voted	1,040.21	
2016-17	7	XI	Roads and Buildings and Ports	Revenue Voted	56.66	
	8	XII	School Education	Revenue Voted	259.37	
	9	XVI	Medical and Health	Loans Voted	8.03	
	10	XX	Labour and Employment	Revenue voted	18.14	
	11	XXVII	Agriculture	Capital Voted	183.59	
	12	XXIX	Forest, Science and Technology and Environment	Revenue Voted	135.86	
	13	XXXI	Panchayat Raj	Revenue voted	252.57	
	14	XXXIV	Minor Irrigation	Revenue voted	12.29	
	15	XXXV	Energy	Capital Voted	1,575.62	
	16	XXXVIII	Civil Supplies Administration	Capital Voted	0.58	

Year	Sl. No.	Grant No.	Appropriation details	Nature	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regular -isation
	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	
	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	
2017-18	6	IX	Fiscal Administration, Planning, Surveys and Statistics	Capital Voted	341.07	
	7	IX	Fiscal Administration, Planning, Surveys and Statistics	Loans Voted	122.06	
	8 IX		Fiscal Administration, Planning, Surveys and Statistics	Public Debt	22,787.11	
	9	X	Home Administration	Revenue Voted	958.49	
	10	XII	School Education	Revenue Voted	15.52	
	11	XXIX	Forest, Science and Technology and Environment	Revenue Voted	156.78	
	12	XXXI	Panchayat Raj	Revenue voted	803.51	Not yet
	1	V	Revenue, Registration and Relief	Capital Voted	3.06	regulari sed
	2	VI	Excise Administration	Revenue Voted	27.35	
	3	IX	Fiscal Administration, Planning, Surveys and Statistics	Public Debt	21,076.44	
2019 10	4	IX	Fiscal Administration, Planning, Surveys and Statistics	Revenue Charged	794.72	
2018-19	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	
			Total		84,650.99	

Appendix 3.3

Grants with savings of more than ₹500 crore

(Refer paragraph 3.4.3; page 76)

(₹ in crore)

Sl No.	Grant No.	Grant Name	Original	Supplementary	Total	Expenditure	Savings
Reve	Revenue Voted						
1	XVI	Medical and Health	4,386.30	1,459.48	5,845.78	5,265.42	580.36
2	XVII	Municipal Administration and Urban Development	2,228.86	790.30	3,019.16	1,926.90	1,092.26
3	XXI	Social Welfare	10,233.28	397.51	10,630.79	8,820.39	1,810.40
4	XXII	Tribal Welfare	6,121.27	565.54	6,686.81	5,621.42	1,065.39
5	XXIV	Minority Welfare	1,369.89	813.67	2,183.55	1,324.68	858.88
6	XXVII	Agriculture	15,498.99	116.49	15,615.48	11,268.42	4,347.06
7	XXXII	Rural Development	8,096.13	444.67	8,540.80	6,830.02	1,710.78
8	XXXV	Energy	6,103.45	35.43	6,138.88	3,994.61	2,144.27
Capi	tal Voted						
9	IX CV	Fiscal Administration, Planning, Surveys and Statistics	7,560.75	45.59	7,606.34	609.83	6,996.51
10	XXI CV	Social Welfare	1,639.10	130.49	1,769.60	236.56	1,533.03
11	XXII CV	Tribal Welfare	1,014.53	295.55	1,310.07	459.98	850.09
12	XXXIII CV	Major and Medium Irrigation	4,849.56	5,694.43	10,543.99	8,481.80	2,062.19
13	XXX CV	Energy	0.00	4,400.00	4,400.00	2,000.00	2,400.00
Loan	s Voted						
14	XXXIII LV	Major and Medium Irrigation	2,190.00	0.00	2,190.00	688.18	1,501.82
		Total	71,292.11	15,189.15	86,418.26	57,528.23	28,953.03

Appendix 4.1

Cases where entire Receipts were booked under omnibus Minor Head - 800 in 2019-20

(Refer paragraph 4.9; page 101)

(₹ in crore)

Sl. No.	Major Head	Major Head Description	Total Revenue Receipts	Revenue Receipts under Min Head 800	Per cent
1	1456	Civil Supplies	6.92	6.93	100.23*
2	0056	Jails	0.43	0.43	100.00
3	0408	Food Storage and Warehousing	0.73	0.73	100.00
4	0211	Family Welfare	0.06	0.06	100.00
5	0235	Social Security and Welfare	5.40	5.40	100.00
6	0435	Other Agricultural Programmes	0.05	0.05	100.00
7	0506	Land Reforms	3.63	3.63	100.00
8	0515	Other Rural Development Programmes	106.90	106.90	100.00
9	0801	Power	9.39	9.39	100.00
10	1053	Civil Aviation	4.23	4.23	100.00
11	1056	Inland Water Transport	0.00	0.00	100.00
12	1452	Tourism	4.87	4.87	100.00
13	0217	Urban Development	21.09	21.09	100.00
		TOTAL	163.70	163.71	

^{*} Percentage figure more than 100 is due to refunds

Appendix 4.2

Cases where almost entire expenditure booked under omnibus Minor Head - 800 in 2019-20

(Refer paragraph 4.9; page 101)

(₹ in crore)

Sl. No.	Major Head	Major Head Description	Total Expenditure	Expenditure in Minor Head	Per cent
1	5054	Capital Outlay on Roads and Bridges	956.63	1,120.79	117.16*
2	2810	New and Renewable Energy	30.13	30.13	100.00
3	2875	Other Industries	3.14	3.14	100.00
		TOTAL		1,154.06	

^{*}Percentage figure is more than 100 as total expenditure under the Major Head is reduced mainly due to recoveries in other Minor Heads (Expenditure under Minor Head 800 Other Expenditure: ₹ 1,120.79 crore; Minor Head 902: ₹(-)222.23 crore; Minor Head 337 Road works: ₹6.48crore; Minor Head 796: ₹20.32crore; Minor Head 786: ₹3.91crore; Minor Head 001: ₹27.36crore)

Appendix 4.3

Cases where more than 50 per cent of Receipts were booked under omnibus Minor Head - 800 for the year 2019-20

(Refer paragraph 4.9; page 101)

(₹ in crore)

Sl. No.	Major Head	Major Head Description	Receipts under Major Head	Receipts under Minor Head-800	Percentage
1	0701	Medium Irrigation	13.28	13.28	99.99
2	1054	Roads and Bridges	46.17	45.98	99.60
3	0700	Major Irrigation	17.76	17.62	99.25
4	0216	Housing	101.36	100.01	98.67
5	0425	Co-operation	5.42	5.30	97.69
6	0058	Stationery and Printing	1.69	1.61	95.06
7	0401	Crop Husbandry	13.95	12.86	92.19
8	0075	Miscellaneous General Services	2,159.32	1,764.48	81.71
9	0702	Minor Irrigation	1.96	1.58	80.55
10	0059	Public Works	6.70	4.94	73.77
11	0406	Forestry and Wild Life	53.29	37.60	70.55
12	0049	Interest Receipts	17.56	9.41	53.55
		Total	2,438.46	2,014.67	

Appendix 4.4

Cases where more than 50 *per cent* of Expenditure was booked under omnibus Minor Head - 800 for the year 2019-20

(Refer paragraph 4.9; page 101)

Sl No.	Major Head	Major Head Description	Expenditure under Major Head (₹ in crore)	Expenditure under Minor Head-800 (₹ in crore)	Percentage
1	4070	Capital Outlay on Other Administrative Services	139.18	135.54	97.38
2	2801	Power	5,192.01	3,954.87	76.17
3	5475	Capital Outlay on Other General Economic Services	794.03	596.31	75.10
4	2401	Crop Husbandry	13,111.51	9,339.19	71.23
5	2245	Relief on account of Natural Calamities	1,836.16	1,186.58	64.62
6	4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	480.59	261.39	54.39
		Total	21,553.48	15,473.88	

Appendix 4.5

List of CCOs who have not reconciled receipts of ₹100 crore and above (Refer paragraph 4.11; page 104)

Sl. No.	Major Head	Chief Controlling Officer	Unreconciled figure (₹ in crore)
1	0040	Commissioner of Commercial Taxes	20,650.87
2	0030	Commissioner and Inspector General of Stamps and Registration	4,854.46
3	0853	Commissioner of Industries	3,486.84
4	0039	Commissioner of Prohibition and Excise	2,959.12
5	0202	Commissioner / Director of School Education	137.94
6	0210	Director of Medical Education	130.70
7	0070	Other Administration Services	107.22
8	0515	Commissioner of Panchayat Raj and Rural Development	106.54
9	0216	Housing	101.34
		TOTAL	32,535.03

Appendix 4.6

List of CCOs who have not reconciled expenditure of ₹100 crore and above (Refer paragraph 4.11; page 104)

Sl. No.	МН	ссо	CCO Designation	Unreconciled figure (₹ in crore)
1	2011	01001	Legislature Secretariat, Secretary, Telangana State Legislature	2,774.29
2	2013	02001	General Administration, Secretariat Department - HoD, Secretary,	1,211.97
3	2012	02007	Governor and Governor Secretariat - HoD, Secretary to Governor	1,190.59
4	2014	03001	Joint Secretary to Government, Law Department	1,147.38
5	2052	03001	Joint Secretary to Government, Law Department	1,032.24
6	2014	03002	Registrar, Telangana High Court	954.70
7	2014	03003	Director of Prosecutions, Telangana,	901.95
8	2014	03004	Special Officer, Government Pleaders Office	900.51
9	2014	03005	Member Secretary, State Legal Services Authority,	829.07
10	2014	03006	Director, Judicial Academy,	769.47
11	2014	04001	General Administration, Secretariat Department, HoD, Secretary	668.24
12	2052	04001	General Administration, Secretariat Department, HoD, Secretary	658.60
13	2070	04001	General Administration, Secretariat Department, HoD, Secretary	481.76
14	2235	04001	General Administration, Secretariat Department, HoD, Secretary	477.89
15	2051	04003	Public Service Commission – HoD, Chairman, Andhra Pradesh Public Service Commission	456.74
16	2052	04004	Tribunal for disciplinary proceedings – HoD, Chairman, Tribunal for disciplinary proceedings	408.90
17	2052	04005	Anti-Corruption Bureau - HoD, Director of Anti-Corruption Bureau	373.00
18	2062	04008	Lok Ayukta and Upa Lok Ayukta - HoD, Lokayukta	360.00
19	2062	04010	Vigilance and Enforcement – HoD, Director, Vigilance and Enforcement	276.08
20	2052	04011	Office of the Special Commissioner, AP, New Delhi – HoD, Special Commissioner of Andhra Pradesh, AP bhavan	254.08
21	2070	04011	Office of the Special Commissioner, AP, New Delhi – HoD, Special Commissioner of Andhra Pradesh, AP bhavan	237.33
22	2062	04012	Vigilance Commission - HoD, Commissioner, Vigilance	213.44
23	2070	04013	MCR HRD Institute - HoD, Director General, MCR HRD institute	189.30
24	2070	04015	Director, Protocol - HoD, Director of protocol,	187.00
25	2015	04016	Chief Electoral Officer, Elections, Chief Electoral Officer and Ex-Officio	186.05
26	2014	04017	Administrative Tribunal - HoD, Registrar, Administrative Tribunal	181.62
27	2052	04018	Director of Translations, H.No.3-6-267/2a	170.25
28	2029	05001	Revenue Department, Secretariat – HoD, Secretary, Revenue Department	168.06
29	2052	05001	Revenue Department, Secretariat Department - HoD, Secretary, Revenue Department	139.68

30 2029 31 2052 32 2053 33 2070 34 2235 35 2506 36 5475 37 4515 38 5475 39 4070 40 2700 41 5054	05002 05002 05002 05002 05002 05002 09022 31003	Land Administration - HoD, Chief Commissioner, Land Administration Planning, Secretariat - HoD, Secretary to Government	129.79 129.33 129.15 124.98 113.58
32 2053 33 2070 34 2235 35 2506 36 5475 37 4515 38 5475 39 4070 40 2700	05002 05002 05002 05002 09022 31003	Administration Land Administration - HoD, Chief Commissioner, Land Administration	129.15 124.98 113.58
33 2070 34 2235 35 2506 36 5475 37 4515 38 5475 39 4070 40 2700	05002 05002 05002 09022 31003	Administration Land Administration - HoD, Chief Commissioner, Land Administration Land Administration - HoD, Chief Commissioner, Land Administration Land Administration - HoD, Chief Commissioner, Land Administration	124.98 113.58
34 2235 35 2506 36 5475 37 4515 38 5475 39 4070 40 2700	05002 05002 09022 31003	Administration Land Administration - HoD, Chief Commissioner, Land Administration Land Administration - HoD, Chief Commissioner, Land Administration	113.58
35 2506 36 5475 37 4515 38 5475 39 4070 40 2700	05002 09022 31003	Administration Land Administration - HoD, Chief Commissioner, Land Administration	
36 5475 37 4515 38 5475 39 4070 40 2700	09022	Administration	109.82
37 4515 38 5475 39 4070 40 2700	31003	Planning, Secretariat - HoD, Secretary to Government	
38 5475 39 4070 40 2700			213.76
39 4070 40 2700	22001	Engineer-in-Chief, (General and PR), Errum Manzil Colony, Hyderabad	166.08
40 2700	22001	Accounts Officer, O/o Commissioner of Tribal Welfare, Damodaram Sanjeevaiah Samkshema Bhavan	113.97
	39001	Information Technology, Electronics and Communications, Secretariat Department – HoD, Secretary	105.41
41 5054	33009	Chief Engineer, Nagarjuna Sagar Project and AMR SLBC Project	104.42
41 3034	11006	Chief Engineer, R&B, EAP, RDC, Office of the ENC (R&B)	171.00
42 4059	11016	Engineer in Chief, CRF, Office of the Engineer in Chief (R&B)	112.82
43 5054	11016	Engineer in Chief, CRF, Office of the Engineer in Chief (R&B)	170.77
44 4210	_	Director, Medical Education, DMS compound	120.82
45 4225	22001	Accounts officer, O/o the Commissioner of Tribal Welfare, Damodaram Sanjeeviah, Samkshema Bhavan	325.61
46 4515	31003	Engineer-in-Chief, (General and PR), Errum Manzil Colony, Hyderabad	240.36
47 4215	31006	Chief Engineer, Rural Water Supply, Errum Manzil	744.28
48 4700	33009	Chief Engineer, Nagarjuna Sagar Project and AMR SLBC Project	965.96
49 4700	33013	Administrator-cum-Chief Engineer, SRSP, Stage I, Sriramsagar Project	294.70
50 4700	33016	Chief Engineer, Godavari Lift Irrigation Scheme, Godavari Lift Irrigation Scheme	350.62
51 4700	33029	Chief Engineer (Projects), Mahaboobnagar	956.51
52 4700	33031	Chief Engineer, FMC (SRSP) and SYP, LMD colony, Karimnagar, Chief Engineer, FMC (SRSP) and SYP	241.09
53 4700	33043	Chief Engineer, Palamuru – Ranga Reddy LIS	1,973.65
54 4700	33044	Chief Engineer, Kaleswaram Project	2,919.80
55 4700 56 4700	33045	Chief Engineer (Projects), Khammam	179.89
56 4700 57 5054	33046	Chief Engineer, (Projects), Adilabad Chief Engineer (R&B), PPP, Office of Engineer in Chief	111.56
37 3034	11015		254.08

Glossary of terms and Abbreviations

Glossary of terms

Terms	Basis of Calculation	
Buoyancy of a parameter	Rate of Growth of a parameter/GSDP Growth Rate.	
Development Expenditure	Social Services Expenditure + Economic Services Expenditure	
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Miscellaneous Capital Receipts	
Primary Deficit	Primary Deficit defined as the Fiscal Deficit net of interest (i.e., Primary Deficit = Fiscal Deficit – Interest payments)	
Revenue Deficit	Revenue Expenditure – Revenue Receipts	

Terms	Description		
Appropriation	Appropriation means the amount authorized by the Parliament/State Legislature for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer. It is the provision made in the budget for incurring expenditure which is directly charged and not subject to the voting of the Legislature.		
Capital Expenditure	Expenditure of a capital nature such as construction of irrigation projects bridges, buildings, laying of roads, irrigation and electricity projects, <i>etc</i>		
Charged Expenditure	Charged Expenditure means such expenditure as is not to be submitted to the vote of the Legislature under the provisions of the Constitution.		
Development Expenditure	The analysis of the expenditure data is disaggregated into developm and non-development expenditure. All expenditure relating to Rever Account, Capital Outlay and Loans and Advances are categorized i social services, economic services and general services. Broadly, social and economic services constitute Development Expenditure, where expenditure on general services is treated as non-development expenditure.		
Debt sustainability	Debt sustainability is defined as the ability of the State to service its debt now and in future.		
Excess Grant	Excess Grant means the amount of expenditure over and above the provision allowed through the Original/Supplementary Grant, that requires regularization by obtaining excess grant from the Parliamen /State Legislature under Article 115/205 of the Constitution.		
GDP/GSDP	Gross Domestic Product (GDP) and Gross State Domestic Product (GSDP) refers to the market value of all officially recognised final good and services produced within the Country and the State respectively in given period of time, accounted without duplication and are an importar indicator of the Country and State's economy.		
Grant	Grant means the amount voted by the Legislative Assembly in respect of a demand for Grant.		
Loan Account	Loan Account is the account of public debt incurred and discharged and Loans and Advances made by the State Government to local bodies employees and others and recovered from them.		

Public Account	Public Account means the Public Account referred to in Article 266(2) of the Constitution. The receipts and disbursements such as Deposits, Reserve Funds, Remittances, etc. which do not form part of the Consolidated Fund are included in the Public Account. Disbursements from the Public Account are not subject to vote by the Parliament/State Legislature, as they are not moneys issued out of the Consolidated Fund of India/State.
Public Debt	Public Debt comprises of loans raised by Government such as market loans, loans from the Life Insurance Corporation of India, <i>etc.</i> , and the borrowings from the Central Government.
Reappropriation	Reappropriation means the 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.
Revenue Expenditure	Revenue Expenditure is the account of current expenditure of the State. For example, wages, salaries, maintenance works, repairs, <i>etc</i> .
Ways and Means Advances	Ways and Means Advances are temporary advances extended by RBI to the Government. These are meant to bridge the gap between expenditure and receipts. They are not a source of finance, but are meant to provide support for purely temporary difficulties that arise on account of mismatch/shortfall in revenue or other receipts for meeting Government liabilities.

Abbreviations

Acronym	Full form				
AB	Autonomous Body				
AC Bills	Abstract Contingent Bills				
APPFC	Andhra Pradesh Power Finance Corporation				
BE	Budget Estimates				
BRO	Budget Release Order				
CAFA	Compensatory Afforestation Fund Act, 2016				
CAG	Comptroller and Auditor General of India				
CAMPA	Compensatory Afforestation Fund Management and Planning Authority				
CCO	Chief Controlling Officer				
CE	Capital Expenditure				
CGST	Central Goods and Services Tax				
CSF	Consolidated Sinking Fund				
CSS	Centrally Sponsored Schemes				
DC Bills	Detailed Contingent Bills				
DISCOM	Distribution Company				
DPC	Duties, Powers and Conditions of Service Act, 1971				
DTA	Director of Treasuries and Accounts				
EN	Explanatory Note				
FC	Finance Commission				
FCR	Finance Commission Recommendations				
FRBM	Fiscal Responsibility and Budget Management				
GCS	General Category States				
GDP	Gross Domestic Product				
GIA	Grants-in-Aid				
GO	Government Order				
GoI	Government of India				
GRF	Guarantee Redemption Fund				
GSDP	Gross State Domestic Product				
GST	Goods and Services Tax				
HMWSSB	Hyderabad Metropolitan Water Supply and Sewerage Board				
HoD	Head of Department				
HTCC	High Tension Current Consumption				
HVDS	High Voltage Distribution Systems				
IGAS	Indian Government Accounting Standards				
IGST	Integrated Goods and Services Tax				
MoU	Memorandum of Understanding				

MTFP	Medium Term Fiscal Policy			
NPS	National Pension System			
NSDL	National Securities Depository Limited			
NTR	Non-Tax Revenue			
OD	Overdraft			
OBB	Off Budget Borrowings			
OTR	Own Tax Revenue			
PAC	Public Accounts Committee			
PD Account	Personal Deposit Account			
PL Account	Personal Ledger Account			
PDA	Personal Deposit Administrator			
PSU	Public Sector Undertaking			
RBI	Reserve Bank of India			
RE	Revenue Expenditure			
RoI	Return on Investment			
RR	Revenue Receipts			
SCAF	State Compensatory Afforestation Fund			
SCSDF	Scheduled Castes Special Development Fund			
SDF	Special Drawing Facility			
SDRF	State Disaster Response Fund			
SFC	State Finance Commission			
SGST	State Goods and Services Tax			
SPV	Special Purpose Vehicle			
STSDF	Scheduled Tribes Special Development Fund			
TDWSCL	Telangana Drinking Water Supply Corporation			
TE	Total Expenditure			
TGST	Telangana Goods and Services Tax			
TRANSCO	Transmission Corporation			
TRIGP	Telangana Rural Inclusive Growth Project			
TSFRBM	Telangana State Fiscal Responsibility and Budget Management			
TSERC	Telangana State Electricity Regulatory Commission			
TSPFCL	Telangana State Power Finance Corporation Limited			
TSWRIDCL	Telangana State Water Resources Infrastructure Development Corporation Limited			
UC	Utilisation Certificate			
UDAY	Ujwal DISCOM Assurance Yojana			
WMA	Ways and Means Advances			

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