# 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)***