

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's financial reporting practices with prescribed financial rules, procedures and directives regarding completeness, transparency, measurement and disclosure.

Issues related to completeness of Accounts

4.2 Funds outside Government Accounts

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

4.2.1 State Compensatory Afforestation Fund

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

In accordance with the Act *ibid*, the Telangana Government established (February 2019) a Reserve Fund¹ "State Compensatory Afforestation Fund (SCAF)" under Public Account.

The following shall be credited into the State Compensatory Afforestation Fund in the Public Account of the Government.

- i. Unspent balances of all monies which have been transferred by National Ad-hoc Authority² to the State CAMPA (erstwhile State Authority during combined State of Andhra Pradesh);
- ii. All monies transferrable from National Fund³;

¹ In interest bearing section under Major Head of Account 8121- General and other Reserve Funds followed with Minor Head of Account 129

² Ad-hoc Authority means the Ad-hoc Compensatory Afforestation Fund Management and Planning Authority constituted under the orders of the Supreme Court for functioning till the Compensatory Afforestation Fund Management and Planning Authority becomes operational and which was centrally pooling the money recovered on behalf of the said Authority lying in the States and Union territories

³ National Fund means the National Compensatory Afforestation Fund established under sub-section (1) of section 3 of the Compensatory Afforestation Fund Act, 2016

- 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 diverted forest land falls within the protected areas.

Further, Grants-in-Aid received, loans taken, or borrowings made, or any other sums received by State CAMPA shall also be credited into the State Compensatory Afforestation Fund.

We observed the following:

- As per CAFA, the unspent balances of all monies which have been transferred earlier by the National Ad-hoc Authority to the State CAMPA would be credited to SCAF. Ministry of Environment, Forest and Climate change (MoEF&CC) permitted (September 2018)⁴ to execute activities approved in the Annual Plan of Operation till the end of 2018-19. Subsequently time was extended till 30 June 2019⁵ and it was requested that any unspent amount as on 30 June 2019 shall be transferred to the respective interest-bearing Public Account of the respective States as per the Act.

As per the information furnished by the Government, an amount of ₹100.59 crore was released from National Ad-hoc Authority prior to inception of the CAFA. This amount was required either to be spent on activities approved in Annual Plan of Operation or credited to SCAF. Instead, the State CAMPA (i) released an amount of ₹69.61 crore to field offices up to June 2019; (ii) refunded ₹25.00 crore to Hyderabad Metropolitan Development Authority; and (iii) retained remaining balance of ₹5.98 crore in a Nationalised Bank. The Principal Chief Conservator of Forests informed (October 2021) that the entire amount of ₹69.61 crore released to field offices, up to June 2019, has been expended by March 2021. The reply indicates that the unspent amounts as of June 2019 were not credited to State Compensatory Afforestation Fund as directed by the MoEF&CC and as stipulated under the Act. The same was kept outside the public account and used subsequently.

- During the period from 2019-20 to 2020-21, an amount of ₹3,110.38 crore⁶ was credited (August 2019) into Telangana State Compensatory Afforestation Fund by Government of India. During the years 2019-20 and 2020-21 amounts of ₹501.26 crore and ₹352.07 crore were drawn and ₹260.60 crore and ₹378.45 crore were spent, respectively. As of March 2021, an amount of ₹269.07 crore⁷, was kept in a Nationalised Bank account, outside the public account, which is against the provisions of CAFA. The fund balance as of 31 March 2021 was ₹2,257.05 crore.

⁴ F No. 11-100/2015-FC (Vol. III) MoEF&CC (FC division), Government of India, New Delhi dt. 28.09.2018

⁵ F No. 11-100/2015-FC (Vol. III) MoEF&CC (FC division), Government of India, New Delhi dt. 05.04.2019

⁶ Being 90 per cent of the funds, available with ad-hoc Authority prior to formation of the Fund, transferrable to State Compensatory Afforestation Fund as per the Compensatory Afforestation Fund Act 2016. The remaining 10 per cent was to be with National Compensatory Afforestation Fund

⁷ Including previous and current years' unspent balances and interest accrued in Banks

The Government replied (January 2022) that as per para 26 of State Compensatory Afforestation Fund Act, the State Authority may invest funds available in the SCAF in the securities of the Central Government and in scheduled banks in such manner as prescribed. The funds are deposited in the banks as per Fund Guidelines and fund deposits have earned interest which will be spent / capitalised with other funds.

The reply is not acceptable as (i) there was a still balance of ₹2,257.05 crore in the SCAF, which was not invested and (ii) amounts were kept in operational accounts of Nationalised Banks with linked Terms Deposits / Flexi Fixed Deposits Accounts indicating that these funds are not invested but being deposited in Fixed Deposits as an interim arrangement rather than as an investment as per para 26 of SCAF Act. Moreover, the Government did not furnish either the details of such deposits or the interest earned on it and the reasons for not remitting the same to the SCAF.

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 for State Compensatory Afforestation Fund, 90 *per cent* of the monies realised from user agencies by State towards Compensatory Afforestation, etc., were to be transferred to State Compensatory Afforestation Fund and the remaining 10 *per cent* to the National Fund. We observed that amounts of ₹102.98 crore and ₹137.97 crore received from user agencies (during 2019-20 and 2020-21 respectively) were remitted by them directly to the National Ad-hoc Authority instead of crediting 90 *per cent* to State Compensatory Afforestation Fund, on grounds that the payment gateway at State level was under establishment. As a result, ₹216.86 crore (being 90 *per cent* of the total amount remitted by user agencies), which was to be in State Compensatory Afforestation Fund, was still in the National Fund, as of March 2021.

4.3 Non-discharge of interest liability in respect of interest bearing Reserve Funds and Deposits

Funds in Public Account under Reserve Funds and Deposits sections are of two categories viz., interest bearing and not bearing interest. The State Government is, therefore, required to pay interest on un-invested balances lying under Reserve Funds and Deposits Bearing Interest. During the year 2020-21, the State Government did not discharge interest liability of ₹213.24 crore in respect of balances lying as of 1 April 2020 in the interest-bearing Reserve Funds and Deposits, as shown below:

Table 4.1: Non-Discharge of interest liability

(₹ in crore)

Sector	Sub-sector	Minimum rate of interest estimated	Balance at the beginning of 2020	Interest Due
J-Reserve Funds	State Disaster Response Fund (MH 8121-122-State Disaster Response Fund)	As per guidelines of State Disaster Response Fund, the rate of interest is the rate applicable to overdraft (2 per cent over Ways and Means interest rate i.e., 6 per cent) under Overdraft regulation Guidelines of the Reserve Bank of India	977.67	58.66
J-Reserve Funds	State Compensatory Afforestation Fund (MH 8121-129-State Compensatory Afforestation Fund)	Interest rate adopted as 6 per cent per annum (taking in to account the interest rate of Reserve Bank of India for overdrafts to State i.e., Repo rate 4 per cent + 2 per cent)	2,609.12	135.42*
K-Deposits and Advances	Defined Contribution Pension Scheme for Government Employees (MH 8342-117)	Interest calculated as per the rate of interest notified by the Government/payable to General Provident Fund i.e., 7.1 per cent	269.86	19.16
Total Interest Due				213.24

Source: Finance Accounts

* Calculated on ₹2,257.05 crore as an amount of ₹352.07 crore was drawn and utilised

Further, the balances under Deposits of other Autonomous Bodies and Miscellaneous Deposits (which are under the category of Deposits bearing interest) were ₹2,188.61 crore and ₹140.04 crore respectively, as of 01 April 2020. The Government did not pay interest on these deposits for the past six years.

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

With respect to SDRF, the Government replied (January 2022) that they have requested Accountant General (A&E) to pass adjustment entries in respect of Covid-19 expenditure during 2019-20 and 2020-21, which could not be done by Accountant General (A&E). Had the adjustment entries been passed in 2020-21 accounts, there would not be any balances under SDRF for investment.

The reply is not acceptable as the request for adjustment was made (September 2021) after completion of the accounting year whereas the audit observation was regarding the investment not made during the accounting year 2020-21. As the amounts remained with the State Government, it was liable to pay interest as mentioned in the above table.

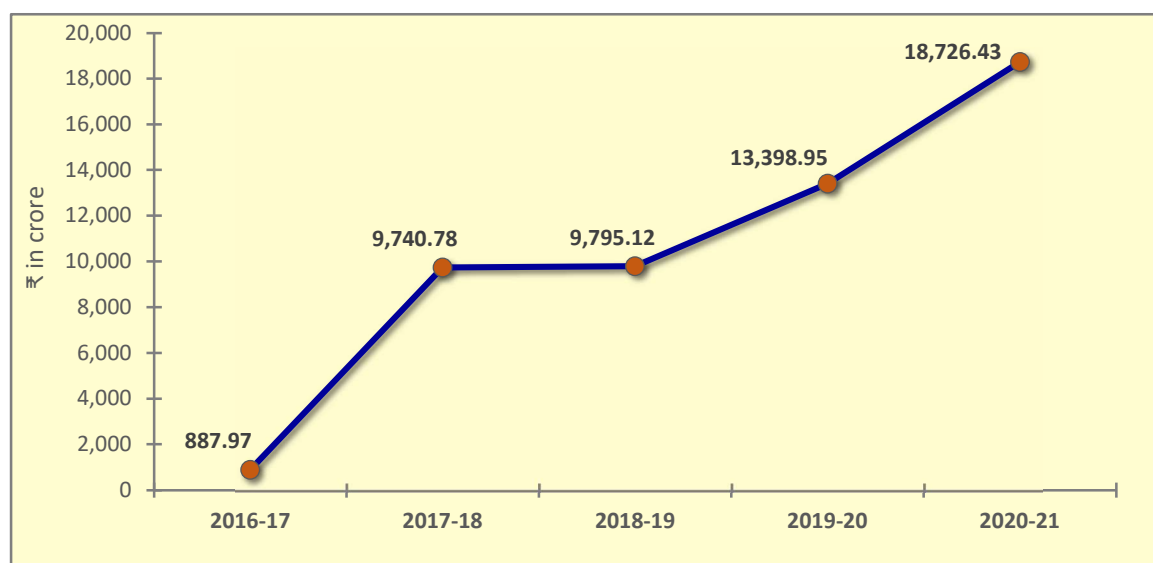
With respect to Defined Contribution Pension Scheme, the Government stated (January 2022) that the balances as on 31 March 2020 were subsequently uploaded to NSDL. The reply is not acceptable as the Government did not provide the details of such uploading. Further, there was a closing balance of ₹286.98 crore in the Defined Contribution Pension Scheme indicating that the amounts were available in the Public Account with the Government and hence it is liable to pay interest.

4.4 Funds transferred directly to State Implementing Agencies

With effect from 01 April 2014, it has been decided by Government of India (GoI) to release all assistance related to the Centrally Sponsored Schemes/Additional Central Assistances to the State Government and not directly to implementing agencies. However, Government of India transferred an amount of ₹53,833.12 crore directly to the State Implementing Agencies in Telangana during 2014-15 to 2020-21.

Details of direct transfer of funds to the implementing agencies during the five-year period are given in *Chart 4.1*:

Chart 4.1: Funds transferred directly to implementing agencies during 2016-17 to 2020-21



Source: Finance Accounts

The quantum of funds transferred directly by the Central Government in 2020-21 was 2109 per cent of that transferred (₹887.97 crore) in 2016-17. Direct releases were more prominent in respect of Mahatma Gandhi National Rural Employment Guarantee Scheme (₹27,201.92 crore⁸) and Food Subsidy for Decentralized Procurement of Food grains under National Food Security Act (₹17,731.68 crore⁹), Pradhan Mantri Kisan Samman Nidhi Scheme (₹4,740.24 crore¹⁰), Member of Parliament Local Area Development Scheme (₹375.00 crore¹¹) and Rashtriya Gokul Mission (₹108.75 crore¹²).

During 2020-21, Government of India released ₹18,726.43 crore directly to the State Implementing Agencies in Telangana. Details of all such direct transfers are available in

⁸ (i) 2016-17 (₹390.15 crore), (ii) 2017-18 (₹5,094.03 crore), (iii) 2018-19 (₹6,375.93 crore), (iv) 2019-20 (₹6,335.90 crore), and (v) 2020-21 (₹9,005.92 crore)

⁹ (i) 2017-18 (₹3,853.71 crore), (ii) 2018-19 (₹2,559.31 crore), (iii) 2019-20 (₹4,439.07 crore), and (iv) 2020-21 (₹6,879.59 crore)

¹⁰ (i) 2018-19 (₹376.85 crore), (ii) 2019-20 (₹2,176.34 crore), (iii) 2020-21 (₹2,187.05 crore)

¹¹ (i) 2016-17 (₹72.50 crore), (ii) 2017-18 (₹37.50 crore), (iii) 2018-19 (₹90.00 crore), (iv) 2019-20 (₹115.00 crore), and (v) 2020-21 (₹60.00 crore)

¹² (i) 2018-19 (₹45.29 crore), (ii) 2019-20 (₹29.62 crore), (iii) 2020-21 (₹33.84 crore)

Appendix-VI of the Finance Accounts. Some of the major transfers to State implementing agencies are shown in **Table 4.2**:

Table 4.2: Major transfers directly made to State implementing agencies

Sl. No.	Scheme	Amount (₹ in crore)
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	9,005.92
2	Food Subsidy for Decentralised Procurement of Food grants under NFSA	6,879.59
3	Pradhan Mantri Kisan Samman Nidhi	2,187.05

Source: Finance Accounts

As these funds are not routed through the Consolidated Fund of the State, the Annual Accounts does not capture the flow of such funds. Thus, the State's receipts and expenditure as well as other fiscal variables and parameters derived from them, do not present the complete picture, to that extent.

4.5 Deposits of Local Funds

Local Funds pertaining to Panchayat Raj Institutions and Urban Local Bodies are maintained in State Government Accounts under Deposits section of Public Account. These accounts include the money realised under the Acts concerned and monies received by these Local Bodies as Grants from Finance Commissions of Central and State Governments. The expenditure of Gram Panchayats is towards sanitation, plantation, street lighting, etc¹³, while that of Municipalities is towards water supply, sanitation, public streets, street lighting, markets, etc¹⁴.

The details of Deposits of Local Funds are as under:

Table 4.3: Deposits of Local Funds

(₹ in crore)

Fund	Head of Account		2016-17	2017-18	2018-19	2019-20	2020-21
Urban Local Bodies							
Municipal Fund	(8448-102)	Opening Balance	707.84	942.52	1,285.66*	1,677.95	1,848.09
		Receipts	1,202.75	1,251.23	1,739.88	2,199.67	3,221.09
		Expenditure	968.07	1,103.67	1,347.59	2,029.53	2,558.55
		Closing Balance	942.52	1,090.08	1,677.95	1,848.09	2,510.63
Panchayat Raj Institutions							
Village Panchayat Fund	(8448-109-01)	Opening Balance	229.11	568.98	923.81*	1,453.38	1,578.70
		Receipts	1,505.06	1,739.65	1,945.25	2,897.50	3,920.30
		Expenditure	1,165.19	1,788.25	1,415.68	2,772.18	3,294.50
		Closing Balance	568.98	520.38	1,453.38	1,578.70	2,204.50

¹³ As per Telangana Panchayat Raj Act, 2018

¹⁴ As per Telangana Municipalities Act, 2019

Fund	Head of Account		2016-17	2017-18	2018-19	2019-20	2020-21
Mandal Praja Parishad Funds	(8448-109-02)	Opening Balance	(-)7.40	(-)45.62	101.31*	142.91	91.62
		Receipts	89.80	159.46	158.19	129.90	331.09
		Expenditure	128.02	92.10	116.59	181.19	137.05
		Closing Balance	(-)45.62	21.74	142.91	91.62	285.66
Zilla Parishad Funds	(8448-109-03)	Opening Balance	(-)22.58	(-)33.72	287.32*	364.09	372.90
		Receipts	139.36	206.90	203.15	265.66	203.92
		Expenditure	150.49	147.85	126.38	256.85	168.43
		Closing Balance	(-)33.72	25.33	364.09	372.90	408.39
Mandal Gram Panchayat for Mandal Praja Parishad	(8448-109-04)	Opening Balance	(-)0.11	(-)0.11	(-)0.11	(-)0.11	(-)0.11
		Receipts	0.00	0.00	0.00	0.00	0.00
		Expenditure	0.00	0.00	0.00	0.00	0.00
		Closing Balance	(-)0.11	(-)0.11	(-)0.11	(-)0.11	(-)0.11
Total Closing Balance of Panchayat Raj Institutions Funds to the end of the year			489.53	567.34	1,960.27	2,043.11	2,898.44

Source: Finance Accounts

* Opening Balance differs with the Closing Balance of previous years due to apportionment of balances between Andhra Pradesh and Telangana and is under reconciliation

The Municipal Fund (₹2,510.63 crore) included the following:

- XIII Finance Commission Grants (₹1,060.27 crore);
- Municipal Corporation Fund (₹571.30 crore);
- Municipal Employees Salary Fund (₹295.28 crore); and
- General Funds (₹487.70 crore).

The Village Panchayat Fund (₹2,204.50 crore) included the following:

- XIII Finance Commission Grants for Gram Panchayats (₹998.29 crore);
- State Finance Commission Grants (₹835.92 crore); and
- General Funds (₹369.79 crore);

An amount of ₹2,058.56 crore, pertaining to XIII Finance Commission Grants pertaining to Local Bodies was available with State Government in Public account. This indicates that the huge amounts released under XIII Finance Commission (2010-2015) are still lying the public account without being expended, even after lapse of six years.

We recommend the State Government to encourage the local Governments to make use of funds (especially Finance Commission grants) available to them, in a timely manner.

Issues related to Transparency

4.6 Delay in submission of Utilisation Certificates

Article 211-A.2 of Financial Code stipulates that where grants are sanctioned for specific purposes with conditions attached to the utilisation of such grants in the form of specification of particular objects of expenditure or the time within which the money must be spent, or otherwise, the departmental officer concerned should furnish Utilisation Certificates to the Accountant General, certifying the fulfilment of the conditions attached to the grant.

Utilisation Certificates for 61 sanctions (amounting to ₹2,903.97 crore) accorded from April 2017 to February 2020, in respect of various schemes¹⁵ pertaining to Municipal Administration and Urban Development Department, were not submitted as of June 2021. The year-wise details are shown in the table below:

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

(₹ in crore)

Year	Sanctions received		UCs received		UCs due	
	No.	Amount	No.	Amount	No.	Amount
2017-18	33	4,797.51	26	4,380.75	7	416.76
2018-19	34	1,353.61	20	826.92	14	526.69
2019-20	49	2,080.31	9	119.79	40	1,960.52
Total	116	8,231.43	55	5,327.46	61	2,903.97

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

In the absence of the utilisation certificates, it could not be ascertained whether the grants were utilised for the purposes for which they were sanctioned. Pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds. Thus, the expenditure cannot be vouched as correct or final to the extent of non-submission of utilisation certificates.

4.6.1 Recording of Grantee Institutions as 'Others'

Grants-in-Aid (GIA) during the year 2020-21 (₹54,284.10 crore) constitute 44 per cent of the total Revenue expenditure (₹1,23,212.38 crore) of the State. Nearly 27 per cent of the GIA i.e., ₹14,635.21 crore pertained to the flagship scheme 'Investment Support Scheme' (Rythu Bandhu) alone, which is aimed to support the farmers.

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

¹⁵ Atal Mission for Rejuvenation and Urban Transformation, XIV Finance Commission Grants, Jawaharlal Nehru National Urban Renewal Mission and Smart Cities etc.

Grants-in-Aid are indicated at Detailed Head as ‘310 – Grants-in-Aid’ and nature of Grants is depicted at Object Head level¹⁶. At few places, the State Government is indicating the name of the Grantee institutions at sub-head level. However, we observed that there was no full-fledged mechanism of giving separate code to each Institution (viz., various bodies and authorities) receiving Grants-in-Aid from the State Government. A few cases, where the details are mentioned as Others / Other GIA are shown below:

Table 4.5: Cases of releases, where details are mentioned as ‘Others / Other Grants-in-Aid’ under Detailed Head 310 Grants-in-Aid

(₹ in crore)

Sl. No.	Sub-Head Description	Object Head Description	Amount
1	Investment Support Scheme	Other GIA	14,635.21
2	Aasara Pensions	Other GIA	5,403.57
3	Finance Commission Grants to Panchayat Raj Bodies	Other GIA	1,846.03
4	Aasara Pensions to old age persons and widows	Other GIA	1,723.04
5	Kalyana Lakshmi	Other GIA	1,655.84
6	National Health Mission	Other GIA	1,615.75
7	Economic Support Schemes and Land Purchase Scheme	Other GIA	1,500.00
8	Finance Commission Grants	Other GIA	1,272.11
9	State Matching Grant for PR Bodies for Finance Commission	Other GIA	1,206.81
10	Insurance to Farmers	Other GIA	1,173.54
11	Financial Assistance to Beedi Workers	Other GIA	947.49
12	State Matching Grant for Finance Commission Grants	Other GIA	885.19
13	Construction of Two Bed Room Houses to the Urban Poor	Other GIA	550.00
14	Aasara Pensions to Disabled Persons	Other GIA	468.53

Source: Finance Accounts

Government may establish an appropriate mechanism providing the details of each grantee Institution in order to bring transparency in accounts.

4.7 Abstract Contingent Bills

Financial Rules¹⁷ permit drawal of advances on ‘Abstract Contingent’ bills for the purpose of meeting contingent expenditure for specified purposes. Initially made as advance, its subsequent adjustments are to be ensured through submission of Detailed Contingent (DC) bills within three months from drawal of Abstract Contingent bill as stipulated in Government orders¹⁸.

The year-wise details of drawal of AC Bills / submission of DC bills and unadjusted AC bills as on 31 March 2021 is indicated in **Table 4.6**.

¹⁶ Object Heads: Grants-in-Aid towards salaries (311), Other Grants-in-Aid (312), Per Capita Grants (313), Seigniorage Grants (314), Maintenance Grant (315), Exgratia Payments or Compensation (317), Obsequies charges (318), and Grants for creation of capital assets (319)

¹⁷ Article 102 of Telangana Financial code

¹⁸ GO No. 507, dt.10-04-2002

Table 4.6: Year-wise details of drawal of AC bills and submission of DC bills

	AC Bills Drawn		DC Bills submitted		Unadjusted AC Bills	
	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)	Number	Amount (₹ in crore)
Up to 2018-19	21,032	1,731.22	19,761	1,581.86	1,271	149.36
2019-20	4,794	565.94	4,548	519.49	246	46.45
2020-21	1,716	271.05	1,302	194.33	414	76.72
Total	27,542	2,568.21	25,611	2,295.68	1,931	272.53

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

We observed that the unadjusted AC bills (3,955 bills amounting to ₹609.87 crore), which were pending as on 31 March 2020 had decreased as on 31 March 2021.

The year-wise pendency of AC bills is given at **Appendix 4.1**. Out of ₹271.05 crore drawn against AC bills in 2020-21, AC bills amounting to ₹49.38 crore (18.22 per cent of the total amount drawn during 2020-21) were drawn in March 2021 alone, and of this, ₹21.91 crore (8.08 per cent of the total amount drawn during the year) was drawn on the last day of the financial year.

Significant expenditure on AC bills in March indicates that the drawal was primarily to exhaust the budget and reveals inadequate budgetary control.

In respect of six¹⁹ Departments, AC bills amounting more than ₹5 crore in each case, were pending adjustment. The Department-wise pendency of AC bills is available at **Appendix 4.2**.

4.7.1 Time taken for adjusting AC bills

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

In respect of DC bills²⁰ submitted, there were eight Departments where pending AC bills amounting to ₹ one crore and above took more than two years on an average to be cleared as shown below:

¹⁹ (i) Revenue (955 bills for ₹128.55 crore), (ii) Panchayat Raj and Rural Development (201 bills for ₹29.29 crore), (iii) School Education Department (79 bills for ₹6.57 crore), (iv) Department of Justice (15 bills for ₹9.52 crore), (v) Home (Intelligence) Department (3 bills for ₹9.60 crore) and (vi) Social Welfare Department (16 bills for ₹6.34 crore).

²⁰ Only treasury bills taken into consideration

Table 4.7: Department -wise average number of years taken to clear pending AC bills

S.No.	Department	No. of AC Bills	Amount of AC Bills cleared (₹ in crore)	Average time taken to clear pending AC bills (in Years)
1	Health, Medical & Family Welfare	1,172	4.16	11.5
2	Finance Department	56	2.24	5.3
3	Revenue Department	4,884	532.57	2.9
4	Agriculture and Co-operation	233	244.49	2.8
5	Planning Department	40	12.36	2.6
6	Tribal Welfare	76	1.50	2.3
7	Animal Husbandry, Dairy Development. and Fisheries	42	1.32	2.1
8	School Education	836	81.44	2.1

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

While AC bills are to be adjusted within three months, in departments such as Health, Medical & Family Welfare and Finance, they were adjusted after a long gap of 11.5 years and 5.3 years (on an average). Further, substantial time taken in Revenue and Agriculture Departments is also a matter of concern, since huge amounts are involved.

4.8 Personal Deposit Accounts

Personal Deposits are maintained in the treasuries in the nature of banking accounts. As per Article 271 of the Telangana Financial Code, the purpose of Personal Deposit 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. These are commonly known as Personal Ledger Accounts or Personal Deposit Accounts.

Personal Deposit Accounts 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.
- Personal Deposit Accounts may also be opened in favour of specified Government Officers, by transferring funds from the Consolidated Fund of the State for discharging the liabilities of the State Government in respect of execution of various projects, schemes, etc.

Personal Deposit accounts, in case where they are created by debit to the Consolidated fund, should be generally closed at the end of financial year by minus debit of the balance to the relevant service heads in the Consolidated fund. Further, Personal Deposit Accounts in respect of schemes may not be closed at the end of year, but they may be closed when their need ceases. If any Personal Deposit Account is not operated for a considerable period and there is reason to believe that the need for such deposit account has ceased, such accounts shall be closed in consultation with the officer. As per the List of Major and Minor Heads, Personal Deposits are covered under Major Head 8443 – Civil Deposit – Minor Head 106 – Personal Deposits.

4.8.1 Status of Personal Deposit Accounts

The status of Personal Deposit Accounts as on 31 March 2021 is given in **Table 4.8** below:

Table 4.8: Details of Personal Deposit Accounts

Sl. No.	Description	No. of Accounts	Amount (₹ in crore)
1	Number of Personal Deposit Accounts existing at the beginning of the year	237	42.59
2	New Personal Deposit Accounts opened during the year	1	--
3	Receipts into the Personal Deposit Accounts during the year		775.36
4	Total	238	817.95
5	Payments during the year		639.79
6	Amount lapsed during the year		0.57
7	Personal Deposit Accounts closed during the year	40	0.47
8	Personal Deposit Accounts existing at the end of the year	198	177.12

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

During 2020-21, an amount of ₹770.02 crore was transferred from the Consolidated Fund of the State to these Accounts and an amount of ₹5.28 crore was credited through challans²¹. Of this, an amount of ₹43.12 crore (5.60 per cent of the total credit to Personal Deposit Accounts during the year) was transferred from Consolidated Fund on the last two days of the financial year (i.e., ₹21.03 crore on 30 March 2021 and ₹22.09 crore on 31 March 2021). This indicates that these Personal Deposit Accounts were utilised to transfer funds at the fag end of financial year to avoid budget lapse.

4.8.2 Non-closure of in-operative Personal Deposit Accounts

As per Article 271(iii) (4) of Telangana Finance Code Vol-I, in cases where the Personal Deposit Accounts are created by debit to the Consolidated fund, such Personal Deposit Accounts should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated fund, the Personal Deposit accounts being opened next year again, if necessary, in the usual manner. If any Personal Deposit Account is not operated upon for a considerable period and there is reason to believe that the need for such deposit account has ceased, such accounts shall be closed in consultation with the officer in whose favour the Personal Deposit Account has been opened.

However, 75 Personal Deposit Accounts, having a balance of ₹3.09 crore, which were in-operative for more than three year, have not been closed as on 31 March 2021. Of this, an amount of ₹1.83 crore was in the Personal Deposit Account of Secretary, District Legal Services Authority, Ranga Reddy District and an amount of ₹0.49 crore was in the account of District Treasury Officer, Karimnagar.

Further, out of 198 PD Accounts, only 23 accounts had both receipts and payments. There were only receipts in 29 PD accounts and only payments in 7 PD accounts. There were neither receipts nor payments in 139 PD accounts. This indicates, these 139 personal deposit accounts were not operated during 2020-21.

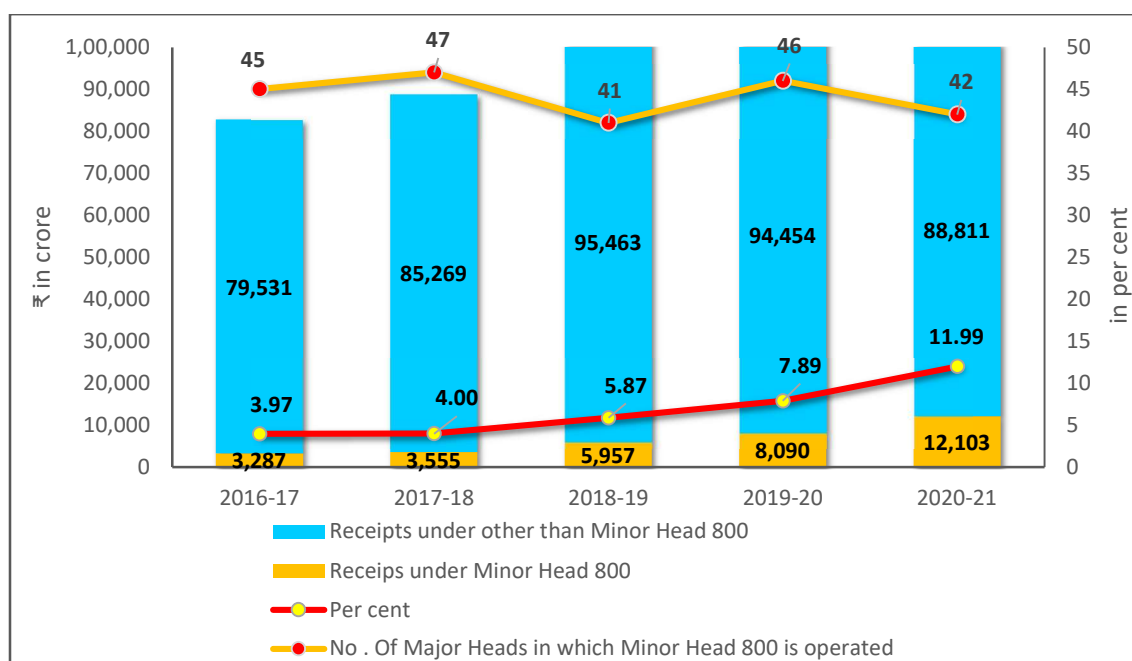
²¹ Challans for ₹0.06 crore are not available and are under correspondence

As per G.O Ms No.43 dated 22.04.2000, funds released during a particular financial year shall lapse by 31 March of the following year (lapsable deposits under category 'C'). The administrators of Personal Deposit Accounts are therefore, required to revert the unspent balances to the Government account. Accordingly, an amount of ₹0.57 crore is lapsed during 2020-21.

4.9 Opaqueness in Accounts

Article 30 of Accounts Code (Volume I) stipulates that as a general rule, the classification of transactions in Government accounts shall have closer reference to the function, programme and activity of the Government and the object of the revenue or expenditure, rather than the Department in which the revenue or expenditure occurs. Minor Head - 800 relating to Other Receipts or Other Expenditure is intended to be operated only when the appropriate Minor Head is not available under the Major Head. Routine operation of Minor Head - 800 is to be discouraged, as it renders the accounts opaque. Transactions under this Minor Head during the years 2016-17 to 2020-21 are detailed in *Charts* below:

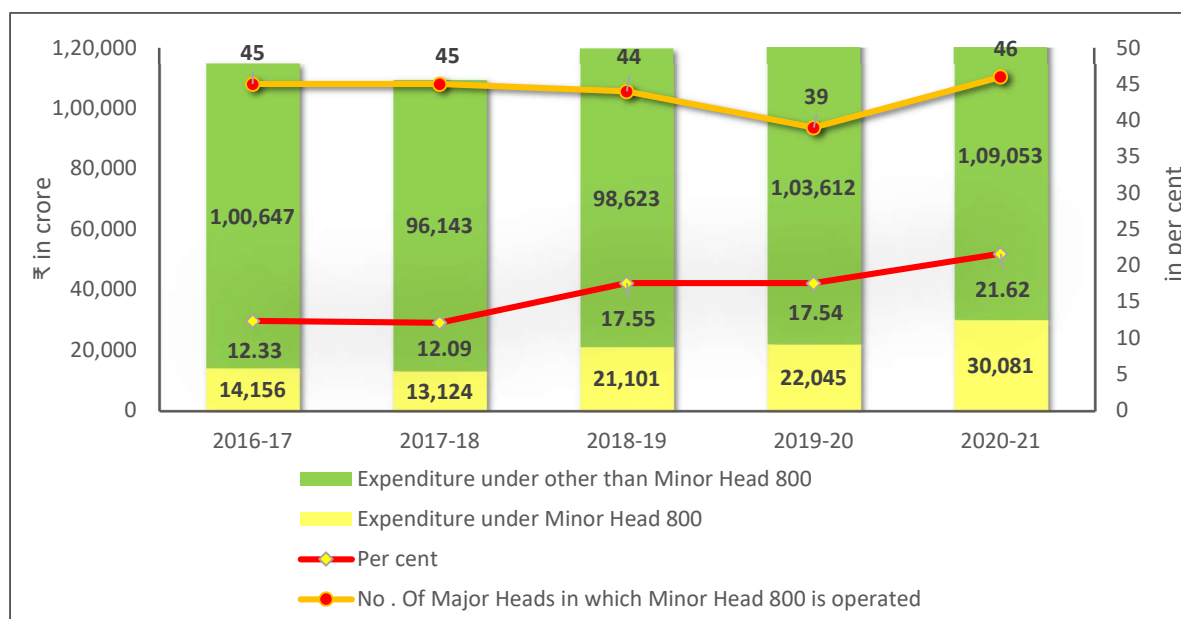
Chart 4.2: Operation of Minor Head 800 – Other Receipts during 2016-17 to 2020-21



Source: Finance Accounts

Note: Receipts include Revenue Receipts only

Chart 4.3: Operation of Minor Head 800 – Other Expenditure during 2016-17 to 2020-21



Source: Finance Accounts

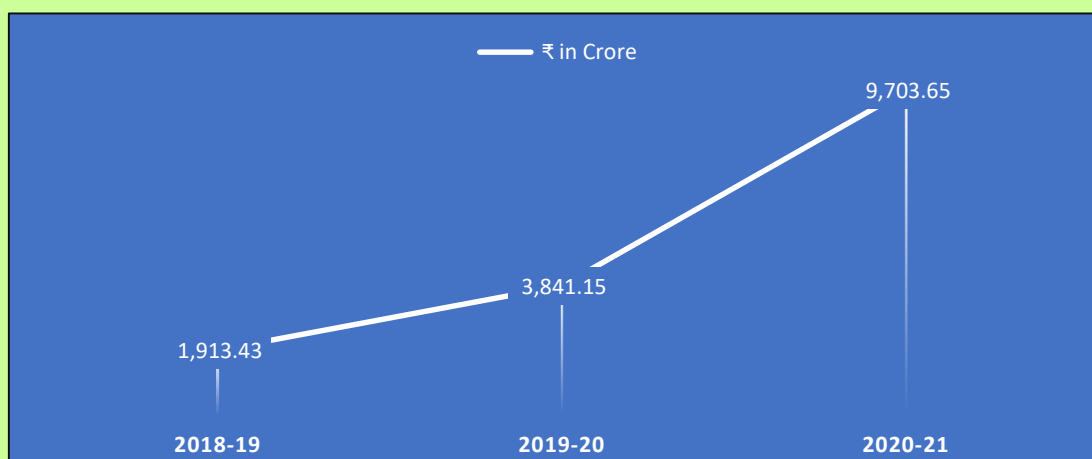
Note: Expenditure includes both Revenue and Capital Expenditure

- The use of omnibus Minor Head-800 in monetary value has increased considerably over preceding years during the past three years - by 68 per cent in 2018-19, 36 per cent in 2019-20 and 50 per cent in 2020-21 in respect of Receipts and 59 per cent in 2018-19, and 36 per cent in 2020-21 in respect of Expenditure, despite the CAG pointing this out in earlier Reports.
- The proportion of receipts classified as Minor Head 800 - Other Receipts in total Revenue Receipts is also increasing over the years from 3.97 per cent in 2016-17 to 11.99 per cent in 2020-21.
- Similarly, the proportion of Minor Head 800 - Other Expenditure in total Expenditure has also increased considerably during last five years from 12.33 per cent in 2016-17 to 21.62 per cent in 2020-21. As a result, more than one fifth of expenditure is classified under Minor Head 800 - Other Expenditure.

Box 4.1: Classification of huge amount of State Goods and Services Tax under Minor Head-800

Receipts classified as Minor Head 800 - Other Receipts under Receipts Major Head State Goods and Services Tax has been continuously increasing for the last three years (₹9,703.65 crore in 2020-21, ₹3,841.15 crore in 2019-20 and ₹1,913.43 crore in 2018-19) despite availability of several functional Minor Heads under the Major Head viz., Tax, Interest, Penalty, Fees, Input Tax Credit, Apportionment, etc.

Chart 4.4: Trends of State Goods and Services Tax Receipts under Minor Head - 800



Source: Finance Accounts

In respect of receipt Major Head viz., Miscellaneous General Services, Receipts classified under Minor Head 800 – Other Receipts (₹1,200.51 crore in 2020-21, ₹1,764.48 crore in 2019-20 and ₹2,660.70 crore in 2018-19) were more than ₹1,000 crore for the last three continuous financial years.

- In respect of 10 Receipt Major Heads like Jails, Family Welfare, Urban Development etc, entire Receipts totalling ₹30.52 crore were classified under Minor Head - 800 – Other Receipts (details in *Appendix 4.3*).
- In respect of five²² 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 for the last three financial years.
- During the current year, under five Expenditure Heads, the entire expenditure totalling ₹1,181.93 crore was classified under Minor Head 800–Other expenditure (details in *Appendix 4.4*). Capital Outlay on Roads and Bridges alone was ₹1,150.97 crore.

²² (i) Crop Husbandry (₹12,606.67 crore), (ii) Power (₹7,505.21 crore), (iii) Welfare of SC and ST (₹2,684.60 crore), (iv) Capital Outlay on Roads and Bridges (₹1,323.78 crore) and (v) Relief on account of Natural Calamities (₹1,186.58 crore)

- In respect of 14 Major Heads, receipts amounting to ₹1,320.34 crore (details in *Appendix 4.5*) and in respect of 8 Major Heads, expenditure amounting to ₹23,814.81 crore, (details in *Appendix 4.6*), substantial proportion *i.e.*, 50 per cent or more was classified under Minor Head 800 – Other Receipts / Expenditure.

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting. It distorts proper analysis of allocative priorities and quality of expenditure and receipts.

Box 4.2: Classification of huge amount as Other Charges under Detailed Head-500

Even at detailed head level, expenditure was classified as Other Charges making it difficult to identify the nature/form/object of the expenditure. During 2020-21, the expenditure under Detailed Head - 500 – Other Charges amounted to ₹7,063.14 crore (5.08 per cent of total Expenditure), which includes ₹2,953.21 crore under Minor Head – 800 Other Expenditure. Out of this, major expenditure pertains to COVID-19 Pandemic (₹3,050.33 crore), Mahatma Gandhi National Rural Employment Guarantee Act (₹1,928.82 crore), Resettlement and Rehabilitation (₹277.92 crore), Pradhan Mantri Gram Sadak Yojana (₹219.20 crore) and Swachh Bharath Mission - Gramin (₹210.15 crore). Classification of large amounts under the Other Charges Detailed Head-500 affects transparency in financial reporting.

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

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

Table 4.9: 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	Description of related specific Minor Head Available	Amount (₹ in Lakh)
Receipts					
1	0070-60-800-25	Receipts under Right to Information Act, 2005	0070-60-118	Receipts under Right to Information Act, 2005	0.91
2	0202-04-800-01	Receipts of the Department of Archaeology	0202-04-101	Archives and Museums	17.38
Expenditure					
1	2403-00-800-08	Veterinary services and Animal Health	2403-00-101	Veterinary services and Animal Health	2,569.06
2	5054-04-800-07	Major District Roads	5054-04-337	Road Works	19,095.83
3	2801-80-800-04	Assistance to Telangana Power Finance Corporation	2801-80-101	Assistance to Electricity Boards	33.49

Sl. No.	Classification under Minor Head – 800	Description of Sub-Head used	Related specific Minor Head to be used	Description of related specific Minor Head Available	Amount (₹ in Lakh)
4	2801-80-800-05	Telangana Electricity Regulatory Commission	2801-80-101	Assistance to Electricity Boards	664.60
5	6700-01-800-05	Loans to Telangana State Water Resources Infrastructure Development Corporation Limited (TSWRIDCL)	6700-60-190	Loans to Public Sector and other undertakings	99,590.71
6	2245-80-800-14	COVID-19 Pandemic	2245-80-102	Management of Natural Disasters, Contingency Plans in disaster prone areas	2,31,374.60

Source: Finance Accounts

Classification of receipts and expenditure under omnibus Minor Head - 800, despite availability of specific Minor Heads, shows laxity in correct depiction of Receipts and Expenditure in Accounts.

Issues related to Measurement

4.10 Outstanding balances under Suspense and DDR Heads

The transactions relating to “Suspense” and “Remittances” heads are intended to record all merely adjusting heads. Certain intermediary/adjusting Heads of Accounts known as ‘Suspense Heads’ are opened in Government Accounts to reflect transactions of receipt and payments which cannot be booked to a final Head of Account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/Pay and Accounts Officers, non-receipt of clearance memos from RBI, non-receipt of vouchers, etc. These Heads of Accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final Heads of Account. If these amounts are not cleared, the balances under suspense heads get accumulated and does not provide a correct picture of the Government’s receipts and expenditure.

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

The status of the balances under suspense and remittance heads for the last three years is given in the **Table 4.10**:

Table 4.10: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	250.41	105.80	337.96	233.90	547.13	405.16
Net Balance	Dr.144.61		Dr.104.06		Dr.141.97	
102 - Suspense Account-Civil	195.90	412.83	843.88	1,035.05	1358.34	1,605.59
Net Balance	Cr.217.33		Cr.191.17		Cr.247.25	
109 - Reserve Bank Suspense - Headquarters	5.32	4.87	5.23	1.32	5.22	(-)0.33
Net Balance	Dr.0.45		Dr.3.91		Dr.5.55	
110 - Reserve Bank Suspense – CAO	6.68	0.14	(-)10.87	12.46	(-)10.88	(-)11.28
Net Balance	Dr.6.54		Cr.23.33		Cr.0.40	
112 - Tax Deducted at Source (TDS) Suspense	0.01	63.25	(-)0.01	314.30	(-)0.01	92.10
Net Balance	Cr.63.24		Cr.314.31		Cr.92.11	
123 - A.I.S Officers' Group Insurance Scheme	0.15	0.19	0.17	0.23	0.01	0.09
Net Balance	Cr.0.04		Cr.0.06		Cr.0.08	
Major Head 8782- Cash Remittances	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
102 - P.W. Remittances	84,681.40	84,477.83	13,236.43	13,236.16	265.55	159.74
Net Balance	Dr.203.57		Dr.203.84		Dr.309.65	
103 - Forest Remittances	1,417.87	1,771.15	589.39	623.57	430.33	531.17
Net Balance	Cr.353.28		Cr.387.46		Cr.488.30	
Major Head 8793- Inter State Suspense Account	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
	46.17	27.48	73.15	27.54	102.42	29.47
Net Balance	Dr.18.69		Dr.45.61		Dr.72.95	

Source: Finance Accounts

There was a considerable increase of ₹105.81 crore in the balance remaining to be adjusted under 8782-102- Public Works Remittances. Similarly, under 8782-103- Forest Remittances, the balance to be adjusted increased from ₹387.46 crore (2019-20) to ₹488.30 crore (2020-21).

The increase under 8658-102 Suspense Accounts Civil was mainly on account of un-credited items under e-Payments mainly in respect of Rythu Bandhu return challans, Salaries and Personal Deposit Account challans.

Un-cleared balances under these heads at the end of the year, due to non-adjustment of receipts and payments to the concerned Heads of account in time, affects depiction of Government's Receipts and Expenditure accurately.

4.11 Reconciliation of Accounts

Generally Accepted Accounting Principles prescribe that it is necessary to carry out periodic and regular reconciliation of accounts to provide accuracy and consistency in financial accounts. Reconciliation and verification of figures enables the Chief Controlling Officers (CCOs) to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts. Government Orders²³ and Financial Rules²⁴ 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.

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
2020-21	54	15	6	33
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
2020-21	194	41	70	83

Source: Finance Accounts

Note: For expenditure CCOs, earlier figures up to 2018-19 were based on Major Head wise. For receipt CCOs, data is based on Major Head wise.

In monetary terms for 2020-21, receipts of ₹95,653.07 crore (94.79 per cent out of total Revenue Receipts) and expenditure of ₹1,16,253.80 crore (83.55 per cent out of total Expenditure) was reconciled. Overall, an amount of ₹5,261.28 crore under Receipts and ₹22,880.69 crore under Expenditure remained unreconciled. However, we noted a significant improvement in reconciliation of Receipts and Expenditure in 2020-21 over previous year 2019-20 (68.03 per cent and 74.51 per cent respectively).

- We observed four Major Heads under which there were un-reconciled receipts of ₹100 crore and above totalling ₹4,828.62 crore in 2020-21 (*Appendix 4.7*). Out of this, Non-ferrous Mining and Metallurgical Industries (Major Head -0853) alone constituted un-reconciled receipts of ₹3,457.39 crore in 2020-21 and also un-reconciled receipts of above ₹3,000 crore persistently for three years (₹3,486.85 crore in 2019-20 and ₹3,112.59 crore in 2018-19).
- There were 41 Chief Controlling Officers (CCOs), who did not reconcile expenditure of ₹100 crore and above totalling ₹21,095.45 crore (*Appendix 4.8*). Out of this, there were three CCOs, who did not reconcile expenditure of ₹1,000 crore and above totalling ₹6,889.93 crore.

²³ GO Ms. No. 507 of Finance (TFR) Department, dated 10 April 2002

²⁴ Article 9 of Telangana Financial Code

- There were two CCOs²⁵, who have not reconciled expenditure of ₹100 crore and above persistently for the past 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 might result in misclassification and incorrect booking of receipts and expenditure in the accounts, thus raising concerns about accuracy of accounts. It also is a reflection of weak internal controls within the Government.

The Government replied (January 2022) that the Heads of the Departments / Chief Controlling Officers have been instructed to reconcile the expenditure and receipts at periodic intervals.

4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

The Cash balance as on 31 March 2021, as per records of the Accountant General was ₹5.67 crore (credit) and that reported by RBI was ₹11.10 crore (credit). There was a net difference of ₹16.77 crore (credit) as on 31 March 2021 mainly due to misclassifications and incorrect reporting.

Table 4.12: Details of Year-wise Cash Balance

Year	Amount (₹ in Crore)
Upto 2015-16	0.02 (Credit)
2016-17	0.30 (Debit)
2017-18	3.10 (Debit)
2018-19	20.43 (Credit)
2019-20	0.04 (Credit)
2020-21	0.32 (Debit)
Total	16.77 (Credit)

Source: Finance Accounts

Issues related to Disclosure

4.13 Compliance with Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Telangana in 2020-21 and deficiencies therein are detailed in **Table 4.13**.

²⁵ (i) The Accounts Officer, Office of the Commissioner of Tribal Welfare, D.S. Samkshema Bhavan (₹113.97 crore in 2019-20 and ₹658.57 crore in 2018-19) and (ii) The Registrar, Telangana High Court (₹954.70 crore in 2019-20 and ₹289.91 crore in 2018-19)

Table 4.13: Compliance with Accounting Standards

Sl. No.	Accounting Standard	Essence of IGAS	Compliance by State Government	Deficiencies noticed in compliance
1	IGAS 1: <i>Guarantees Given by the Government – Disclosure requirements</i>	The standard requires the Government to disclose the maximum amount of Guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Not fully complied (Statements 9 and 20 of Finance Accounts)	Though sector-wise details were disclosed, class-wise details were not incorporated. Detailed information like number of Guarantees for each institution was not furnished. Information with regard to Guarantee Commission was not furnished by the State Government. The details of Guarantees mentioned does not include Guarantees extended to Telangana State Civil Supplies Corporation (TSCSC) and Guarantees given to TS MARKFED. The Statements are incomplete to that extent.
2	IGAS 2: <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as Revenue Expenditure in the accounts of the Grantor and as Revenue Receipts in the accounts of the Grantee, irrespective of the end use.	Not fully complied (Statement 10 of Finance Accounts)	Detailed information regarding Grants-in-Aid provided, if any, in kind, was not furnished by the State Government. Certain Grants-in-Aid (₹0.45 crore) were classified under Capital section in contravention of the accounting standards.
3	IGAS 3: <i>Loans and Advances made by Governments</i>	This standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial statements to ensure complete, accurate and uniform accounting practices.	Not fully complied (Statement 18 of Finance Accounts)	Details not confirmed by the State Government. Figures in respect of certain loans and advances for which detailed accounts are maintained were not furnished. Confirmation of individual loanee balances was not given.

Source: Indian Government Accounting Standards and Finance Accounts

Non-compliance with the Accounting Standards 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.

4.14 Submission of Accounts / Separate Audit Reports of Autonomous Bodies

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

There were 31 ABs under the audit purview as per Section 19 or 20 of the CAG’s DPC Act, which were required to submit their Annual Accounts to CAG before 30 June every year. Out of 31, only three²⁶ ABs have submitted their accounts up to 2020-21.

Table 4.14: 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	1-5	18
2	5-10	5
3	10-15	5
Total		28

²⁶ Telangana State Electricity Regulatory Commission, District Legal Services Authority, Khammam and District Legal Services Authority, Nalgonda

The remaining 28 ABs have not submitted their Annual Accounts in time. There were delays ranging from one to fourteen years in submission of Accounts (**Table 4.14**). Out of the 28 ABs which were to submit their annual accounts, 10 ABs were Legal Services Authorities (**Appendix 4.9**).

- 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 2020-21, the State Government has provided ₹891.02 crore as Loan to HMWSSB and the total loans outstanding as of March 2021 stood at ₹7,648.32 crore. Further, the value of Guarantees given by State Government to HMWSSB outstanding as of March 2021 was ₹3,472.57 crore.
- The Metropolitan Legal Services Authority and Integrated Tribal Development Agencies (ITDAs) of Bhadrachalam, Eturunagaram and Utnoor, have not submitted their Annual Accounts for 10 years or more (July 2021).

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

4.15 Submission of Accounts by 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 63 Government Companies and 03 Statutory Corporations, which were to submit their Annual Accounts to Accountant General (Audit), Telangana. Out of the above, 13 companies²⁷ were yet to submit their first Annual Accounts. Similarly, all the three Statutory Corporations²⁸ were yet to submit their first Annual Accounts. Of the remaining 50 companies, 7 companies are up to date in submission of their accounts, while 43 companies have arrears of Annual Accounts ranging from one to five years.

²⁷ (i) Telangana State Industrial Development Corporation Limited, (ii) Telangana Life Sciences Infrastructure Development Limited, (iii) Wehub Foundation, (iv) Bio-tech Hub Limited, (v) Telangana State Aviation Corporation Limited, (vi) Telangana Power loom and Textile Development Corporation Limited, (vii) Telangana Handloom Development Corporation Limited, (viii) Hyderabad Airport Metro Limited, (ix) Telangana State Housing Corporation Limited, (x) Telangana Rajiv Swagruha Corporation Limited, (xi) Greater Warangal Smart City Corporation Limited, (xii) Karimnagar Smart city Corporation Limited and (xiii) Telangana State Christian Minorities Finance Corporation

²⁸ (i) Telangana State Financial Corporation, (ii) Telangana State Road Transport Corporation, and (iii) Telangana State Warehousing Corporation

Out of the seven companies, which submitted their Annual Accounts up to 2020-21, two companies²⁹ were not reflected in statement of Investments of Finance Accounts 2020-21. As per Annual Financial Statements furnished by the five companies, the State Government has invested an amount of ₹ 19,644.37 crore. However, as per Finance Accounts, the investments in these Companies were ₹21,508.52 crore including un-apportioned investments prior to bifurcation (*Appendix 4.10*). There is a difference of ₹1,864.15 crore between the information as per Finance Accounts and Annual Financial Statements of these Companies. Thus, there is a need for reconciliation of investments as per Government Accounts and as per the Annual Financial Statements of Government Companies and Statutory Corporations.

In the absence of timely finalization of accounts, there is no accountability on the performance of these companies. Investment of the Government also escape scrutiny by audit and remain outside the purview of Legislative control. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken on time.

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

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

However, during 2020-21, none of the Departments have furnished the information regarding the Bodies and Authorities to which grants and/or loans were provided as required under Regulation 88. In response to specific request by Audit, only nine³⁰ Departments have furnished the information. Information from other Departments was not received (October 2021). In the absence of such information, we could not ascertain entities auditable under Section 14 and 15 of the Comptroller and Auditor General of India's Duties, Power and Conditions of Service Act, 1971.

The Government replied that the details would be available in Statements 10, 18 and Appendix III of the Finance Accounts. The reply is not acceptable as Statements of Finance

²⁹ (i) Telangana Industrial Health Clinic Limited and, (ii) Damodara Minerals Private Limited

³⁰ (i) Information Technology Electronics and Communications, (ii) Animal Husbandry, Dairy Development and Fisheries, (iii) Planning, (iv) Industries and Commerce, (v) Environment, Forests, Science and Technology, (vi) Energy, (vii) Transport, Roads and Buildings, (viii) Agriculture and Cooperation, (ix) Consumer Affairs Food and Civil Supplies Department

Accounts are prepared based on the details of heads of account, which do not always capture names of the institutions. Further, Regulation 88 specifically stipulated that the Governments and Heads of Department shall furnish a statement of such Bodies and Authorities to which grants and/or loans aggregating rupees ten lakh, or more were paid.

4.17 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. Comptroller and Auditor General of India has been flagging year after year, issues relating to financial and budgetary management, lapses in compliance with prescribed procedures, rules and regulations by the State Government departments / authorities.

Out of 119 Explanatory Notes to be received in respect of 112 Audit paras from 12 Departments in respect of Audit Report on State Finances for the years 2014-15 to 2018-19, 30 Explanatory Notes for 27 Audit paras pertaining to six Departments were furnished as of August 2021. Details are given in *Appendix 4.11*.

4.18 Conclusion

Funds pertaining to State Compensatory Afforestation Fund, which should have been maintained in Government Account, were parked in banks. Government did not discharge its interest liability in respect of interest-bearing Reserve Funds and Deposits. There is a decrease in unadjusted AC bills both in number and amounts compared to previous year. The use of omnibus minor heads has been on the rise for the past few years. Even the detailed heads are being maintained in an obscure manner adding opaqueness to the accounts and adversely affecting transparency, particularly on important receipts like Goods and Services Tax. Non-reconciliation of accounts by the account rendering units/authorities affected accuracy and completeness of accounts of the State. Government Companies and Autonomous Bodies are allowed to continue without finalising their accounts for longer periods, whilst the State Government continued to support them with grants, loans and/or guarantees. The State Government is yet to comply with Indian Government Accounting Standards.

4.19 Recommendations

- (i) *State Government should ensure the prescribed accounting procedure in respect of State Compensatory Afforestation fund is complied with and these funds are not kept outside the Government account.*
- (ii) *State Government should put in place controls to ensure that Detailed contingent bills are submitted within the time periods stipulated.*
- (iii) *State Government may consider release of Grants/ loans or extension of guarantees to various Autonomous Bodies and State Public Sector Undertakings subject to timely submission of accounts.*