

CAG: TS debt piles up to ₹1.42 lakh crore

HANS NEWS SERVICE

Hyderabad: The Comptroller and Auditor General of India has observed that the annual growth of borrowings of the State government was more than the annual growth of the Gross State Domestic Product (GSDP).

The report of the CAG was introduced in the Assembly on Sunday. According to the report, the State had a debt of Rs 1.42 lakh crore in the financial year of 2017-18. It has observed that the interest payments have been increasingly consuming the revenue receipts.

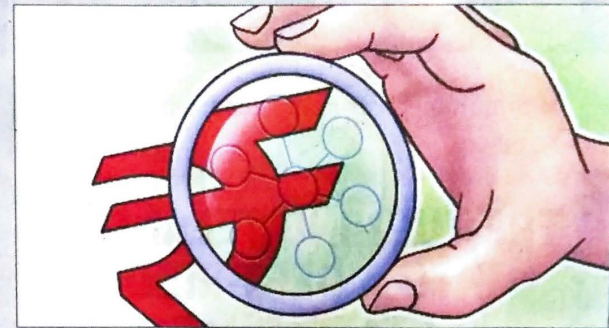
The total loans that the State government owed in the next seven years were Rs 65,740 crore. The debt payment to tax revenue ratio has gone up as it rose to 8.05 per cent from 6.84.

The CAG suggested that the State government should undertake a study to measure its total fiscal commitments and the ability to meet them. This would inform the risk assessment on future borrowings.

The CAG observed that the guarantees (Rs 41,892 crore) were 51 per cent of the total revenue receipts. The report stated that the government has been extending guarantees to the bodies which do not finalise their accounts. No revenue has been received through the Guarantee Commission which was Rs 209 crore.

The CAG suggested that the government must comply with its own orders and ensure that comprehensive risk assessment is done which informs the decisions to provide guarantees.

Suggests that the State government should undertake a study to measure its total fiscal commitments and the ability to meet them



▶ The interest payments have been increasingly consuming the revenue receipts

▶ The revenue surplus of ₹3,459 crore was overstated and the fiscal deficit was ₹26,700 crore in 2017-18 financial year

It has been suggested by the CAG that Telangana is yet to amend its FRBM Act in accordance with the recommendations of the Fourteenth Finance Commission. The FRBM Act requires that the State government must make disclosures under the section 10 of the Act. The State government did not make four out of 10 disclosures required to be made.

It has been observed that the Revenue Receipts (RR) and Revenue Expenditure (RE) have decreased in 2017-18 when compared to 2015-16 to 2016-17. The CAG stated that the revenue surplus of Rs 3,459 crores was overstated and the fiscal deficit was Rs 26,700 crore in 2017-18 financial year.

The fiscal deficit was understated by 954.60 crore on ac-

count of misclassifications, non-contribution to statutory funds and classifying subsidies as loans. Effectively, there was a revenue deficit of 284.74 crore and fiscal deficit was 27,654.60 crore. The CAG pointed out that the revenue receipts (Rs 88,824 crore) in 2017-18 increased by 6,006 crore (7.25 per cent) over 2016-17. They were, however, lower than the budget estimates

by Rs 24,259 crore. Telangana fared favorably in its focus on Development Expenditure (Rs 84,006 crore) and Capital Expenditure (Rs 3,902 crore) in comparison with other General Category States. The State, however, lagged behind in the area of education. The CAG said that delays in completion of irrigation and other capital projects not only adversely affected the quality of the expenditure but also deprived the State of intended benefits and economic growth. It has spent Rs 79,236 crore on capital projects during the years 2014-18. Within the capital projects, more than 50 per cent of the capital expenditure was on Irrigation and flood control.

In respect to 19 irrigation projects, whose original cost was Rs 41,201 crore, delays ranging from three to 11 years led to escalation of projected cost to Rs 1.32 lakh crore. An amount of 70,758 crore was spent on the projects.

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NOTICE

(Property) The authorized officer of the Hyderabad, under the Securitisation and Enforcement of Security Interest Act, conferred under section 13(12) read with (Enforcement) Rules, 2002 issued a Demand Notice on

State govt hugely depends on Ways and Means Advances: CAG

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Hyderabad: Despite the government claims that the financial health of the State is in good shape, the CAG report on Sunday pointed out that the dependency of Telangana State on Ways and Means Advances (WAs) is increasing while the contribution to the Reserve Funds (RFs) is sinking. For example, the State government maintained the mandatory minimum daily cash balance of Rs 1.38 crore with the Reserve Bank of India (RBI) was only for 161 days during 2017-18. The State government is dependent on Special Drawing Facility (SDF) to the tune of Rs 11,278 crore for 204 days. Similarly, it availed Rs 10,878 crore during the same financial year under Ways and Means Advances for 127 days.

That apart, it availed Rs 764 crore for seven days under Over Draft (OD) facility for maintaining the minimum balance with the RBI. In monetary terms, however, SDF, WMA and OD showed an increase of 90 per cent with the State government availing about Rs 10,834 crore in 2017-18 as against Rs 11,534 crore in 2016-17. This shows an increasing dependency of the government on WMA.

The interest payment on WMA, including the SDF and OD during 2017-18 was Rs 13.82 crore as against Rs 7.40 crore in 2016-17, i.e., 86 per cent in-

crease, the CAG said. On the other hand, the public auditor recommended to the State government that it must ensure that the contribution to Reserve Fund (RFs) are made annually as stipulated, to enable firm funding stream to meet the defined purpose of the funds. These observations were made against the backdrop, as the State government is not making contributions to RFs after the 2015-16 financial year. The RFs are created for specific and defined purposes.

As per the CAG findings, the aggregate shortfall of contribution to Consolidated Sinking Fund (CSF) during the years 2016-2018 was Rs 1,163 crore. Out of this, Rs 489.96 crore and Rs 673.69 crore were contributed during the financial years 2016-17 and 2017-18, respectively.

At the same time, the State's liabilities during the same period rose by 69 per cent from Rs 97,992 crore as of March 2016 to Rs 1,65,849 crore in March 2018.

Further, the aggregate shortfall in the State's contribution to Guarantee Redemption Funds (GRF) during the years 2016-18 was Rs 282.90 crore. The total available balance of Rs 586.65 crore in GRF as of March 2018 was only 1.46 per cent of the outstanding amount of guarantees (of Rs 41,892 crore) as against the targeted three per cent.

Conduct risk assessment before giving guarantees to bodies: CAG

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Hyderabad: The Comptroller and Auditor General (CAG) found fault with the State government for not complying with its own orders while extending guarantees to various bodies. The CAG report on Sunday pointed out that guarantees to the tune of Rs 41,892 crore was given by the State government in the financial year 2017-18 stood at 51 per cent of the total Revenue Receipts (RRs) of the preceding year, which stood at Rs 82,818 crore. However, it is well within the 90 per cent ceiling relating to the guarantees.

But, the CAG said that it has found that the State government is extending guarantees to bodies that had not finalised their accounts.

No revenue on account of Guarantee Commission (Rs 209.45 crore) was received under the head of Commission for Guarantees given by the government.

Besides, the government also extended guarantees for the interest portion of the loan

- ▶ **State government extended guarantees to bodies that did not finalise their accounts**
- ▶ **Autonomous bodies with annual accounts in arrears get loans from the government**
- ▶ **Recovery is only 2.3 per cent of the total loans given**

amounting Rs 71.03 crore in respect of two entities.

For these reasons the CAG asked the government, besides complying with its own orders, it should also ensure that a comprehensive risk assessment be done before sanctioning guarantees.

Similarly, the public watchdog also asked the government to ensure that the future loans and advances that it wants to extend to the autonomous bodies are predicated on furnishing of audited accounts of the pre-

vious year. The CAG recommendation has come as the Loans and Advances given by the State government to the autonomous bodies and corporation were stood at Rs 15,869 crore.

While "the average rate of interest on the government borrowings was 7.21 per cent, the interest receipts as a percentage of outstanding loans and advances was only 0.53 per cent.

The report also found out that the government loans extended to the tune of Rs 428.45 crore in 2017-18 did not specify any terms and conditions, like the schedule of repayment, rate of interest, number of installments etc.

The loans are being provided to the autonomous bodies for servicing their past loans and the current level of recovery of loans was low. "In the budget estimates, an amount of Rs 5,807 crore was estimated to be recovered in 2017-18.

The actual recovery was only Rs 138 crore. This was only 2.38 per cent of the estimated recovery, the CAG report said.

CAG asks TS to compile working results of MIPs

Hyderabad: Comptroller and Auditor General (CAG) asked the State government to compile working results of Major Irrigation Projects (MIPs) to assess benefits from persistent heavy outlays in the irrigation sector.

The CAG report presented in the State Legislative Council here on Sunday made these recommendations as to the working results should guide future investments in the sector, against the backdrop of the State government's heavy capital outlays on the irrigation projects.

The report said the State government has placed the creation of infrastructure as a priority area since the formation of the State and it has spent Rs 79,236 crore on Capital Projects during the years starting from 2014 to 2018.

Out of the total capital outlays the State government has spent more than 50 per cent on the irrigation and flood control, expect during the financial years 2016-17.

However, delays in the completion of the project not only adversely affected the

quality of the expenditure but also deprived the State of intended benefits and economic growth, it pointed out.

The report said that the original cost of 19 irrigation projects was Rs 41,201 crore. But delays ranging from three to eleven years resulted in the shooting up of the projected cost to Rs 1,32,928 crore. An amount of Rs 70,758 crore was spent on the incomplete irrigation projects so far. The State government did not disclose financial results of any of the irrigation projects, it observed.