A reliable financial reporting mechanism aids in exercise of controls on utilisation of funds. This Chapter provides an overview and status of compliance to various financial rules, procedures and directives during the year.

3.1 Personal Deposit Accounts

3.1.1 Personal Deposit Account framework

Personal Deposits (PD) are maintained in the treasuries in the nature of banking accounts. These are commonly known as Personal Ledger (PL) Accounts or Personal Deposit Accounts. PD Accounts are established in the following manner:

- Under statutory provisions of the Government or 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 of special enactments.

- PD Accounts may also be opened, in favour of specified Government Officers, by transferring fund 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.

Analysis of Audit revealed the following:

3.1.2 Opening of PD Accounts

Government orders (June 2005) stipulate that a requisition for opening a PD account should be forwarded through the Administrative Department of the Secretariat concerned, indicating the sources of the funds to the PD account and the nature of transactions to exclude the possibility of budgetary resources getting diverted to PD account. When the Government orders a PD account to be opened, the Directorate of Treasuries and Accounts (DTA) shall authorise the District Treasury Officer to assign a PD account number to the PD Administrator (PDA) and notify the Accountant General (Accounts and Entitlements). The Finance Department, however, did not furnish information on the PD accounts authorised to be opened during the period 2016-19.

Consequently, the extent of adherence to the procedural norms, could not be vouchsafed in Audit.

3.1.3 Status of PD Accounts in Telangana

In order to bring about a uniform treatment of PD accounts across States, a review was conducted by Comptroller and Auditor General of India in 2018. As per the review, the PD accounts have been aligned with the prescribed format of accounts as those operated under Major Head (MH) 8443 – Civil Deposits and Minor Head (MiH) 106 – Personal Deposits. As an outcome of the review, the State Government reported that 182 accounts (125 Operational and 57 in-operative accounts) classified under MH 8443–Civil Deposits – MiH 106 – Personal Deposits as indicated below shall come under the definition of PD Accounts.

Table 3.1: Details of PD accounts

Sl. No.	Description	No. of Accounts	Amount (₹ in crore)
1	Number of PD Accounts existing at the beginning of the year*	182	51.20
2	New PD Accounts opened during the year	--	702.07
3	PD Accounts closed during the year	--	717.74
4	PD Accounts existing at the end of the year	182	35.53

Source: Information furnished by Director of Treasuries and Accounts (DTA)

**No of PD accounts existing at the beginning of the year 2018-19 differs from the PD Accounts existing at the end of previous year 2017-18 due to clarification from the State Government that only the accounts opened under Head of Account 8443-106 shall be constituted as PD Accounts; as such all other Deposit Accounts have been omitted in the above table*

The following were further observed in this regard:

- No Unique ID was assigned to the PD Administrators. All Deposit Accounts operated by each Designated Drawing Officers were being considered as separate PD accounts. This had resulted in proliferation of number of PD Accounts reported in earlier years (28,674 in 2017-18 and 28,087 in 2016-17).

- As per List of Major and Minor Heads, PD accounts are to be operated under Major Head of Account 8443 and Minor Head of Account 106-Personal Deposits. In respect of 2018-19, the DTA informed that there were 182 PD accounts in existence as per the above classification. However, there were 13,396 Category 'C'[1] Deposit Accounts operated under 10 Heads of Account[2] in 2018-19, out of which

[1] The State Government classified Deposit Accounts in to three Categories. Category A – Contains own sources; Receipts through devolution and transfers from other Governments; Category B – Receipts through securities collected for specific purposes; and Category C – Receipts through transfers from Consolidated Fund of the State.

[2] Major Head (MH) 8342 – Minor Head (MiH) 103, MH 8443- MiH 109, MH 8443 – MiH 111, MH 8443 – MiH 800, MH 8448 – MiH 102, MH 8448 – MiH 109, MH 8448 - MiH 110, MH 8448 – MiH 120, MH 8449 – MiH 120 and MH 8782 - MiH 103

52 Category 'C' accounts were test checked in audit. It was observed that all these test checked accounts were not under 8443-106, but were, however, operated as PD accounts. Hence, the number of PD accounts reported by DTA as 182 (mostly pertaining to Principals of schools, colleges, Ground Water Department *etc*.) for 2018-19 was at variance with the situation at field level. The number of PD accounts specified under Head of Account 8443-106 are very meagre and did not cover major activities like implementation of Government schemes, which are being operated through other Deposit Heads of Account through which huge amounts of funds are being spent.

As unspent amounts in the PD accounts are lapsable, operation of different Heads of Account makes it difficult to identify the balances and lapse the balances as per the norms prescribed, since other Deposit Accounts are also available under these Heads.

3.1.4 Operation of PD Accounts

The following were observed in operation of PD Accounts:

- Audit observed that amounts of ₹3,655 crore and ₹4,999 crore were transferred in the months of March 2018 and 2019 respectively from Consolidated Fund to Deposit accounts. Out of the above, ₹3,576 crore and ₹4,946 crore were transferred to Category "C" Deposit Accounts. This indicates that these PD accounts were being utilised to transfer funds at the fag end of financial year to avoid lapse of budget.

- Article 3 (1) of the Financial Code stipulates that expenditure should not be prima facie more than what the occasion demands. Transfers from Consolidated Fund to PD account is treated as expenditure from the Consolidated Fund, and hence any such transfer far in advance of requirement is in contravention of Article 3(1) of Financial Code. Further, Government instructions[3] (September 2012) stipulated that there shall not be any transfer of funds from PD accounts to Fixed Deposit Receipt account.

  PD Administrators of seven test checked accounts deposited an amount of ₹721.36 crore in Current Accounts (CA) / Savings Bank Accounts (SBA)/ Fixed Deposit Receipt (FDR) accounts in Banks during 2016-17 to 2018-19. These accounts earned interests amounting to ₹20.39 crore, which were utilised for purposes such as meeting employee costs like pay and allowances, administrative expenditure *etc*.

- As per Subsidiary Rule 2 of Treasury Code, Fully Vouched Contingent Bill (FVCB) Form '58' is used for payment of services already availed or goods received. Scrutiny of vouchers pertaining to District Treasury Officer, Hyderabad (Urban) for the year 2018-19 revealed that the DDOs of 10 Departments drew ₹1,745.45 crore in 76 cases for transferring money from Consolidated Fund to PD accounts by using

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

FVCB Form '58' without enclosing required details of services already availed or goods received. As amounts transferred from Consolidated Fund to PD account are lapsable, use of FVCB Form '58', meant for expenditure already incurred through services availed or goods received, impacts transparency in accounting.

Box 3.1: Diversion of Funds

Funds transferred to PD accounts were diverted in respect of two test checked cases for other purposes.

- An amount of ₹27.04 crore for purchase of Medical equipment was diverted for pay and allowances of staff by Nizam's Institute of Medical Sciences.
- In another test checked case, Hyderabad Metropolitan Development Authority (HMDA) utilised an amount of ₹29.15 crore (sanctioned in June 2017) for works undertaken by Roads and Building Department towards creation of additional facilities in Pragathi Bhavan from out of the Loans given to HMDA for taking up development activities. However, HMDA did not offer its remarks as to how the works relating to additional facilities in Pragathi Bhavan came under the purview of developmental activities for which loan amounts were approved by the Legislature.

3.1.5 Lapsing of amounts in PD accounts and closing of 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 following year. As per Article 271 (iii) (4)[4] 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 State[5]. The account may be opened again in the following year, if necessary, in the usual manner[6].

The following was observed with regard to lapsing of amounts in the PD accounts and closing of PD accounts:

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

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

[6] 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

- ***Lapsing of amounts under PD Accounts in the next financial year:*** Government orders of April 2000 provided that amounts released to Category 'C' Deposit Accounts for execution of specific schemes sanctioned by Government are lapsable. These Orders, however, stipulated that the funds released during a particular financial year shall lapse by 31 March of the next financial year. Thus, the Government Orders were at variance with the provisions of Article 202 of the Constitution, Budget Manual, Telangana Financial Code and Legislative intent.

  - Audit observed that unspent balances in seven cases amounting to ₹467.38 crore[7] in Category 'C' Deposit accounts pertaining to 2018-19, which should have been lapsed in view of the spirit of Article 202 of the Constitution, Budget Manual and Financial Code were not lapsed at the end of 2018-19.

  - Audit also observed that even Government orders of April 2000 that unspent balances would be lapsed at the end of next financial year were also not complied with and unutilised funds in five cases amounting to ₹309.64 crore[8] pertaining to previous financial years (2016-17 and 2017-18) were not lapsed even at the end of 2018-19.

  Since transfers by the Government to PD accounts *i.e.*, transfers to Public Account is considered as expenditure from the Consolidated Fund, any unutilised amount in the PD accounts after the close of the financial year would only distort the magnitude of expenditure figures in the Government accounts. Further, non-transfer of unspent balances lying in PD Accounts to Consolidated Fund is fraught with the risk of misuse of public fund, fraud, and mis-appropriation.

- ***Lapsing of amounts under PD Accounts as Revenue Receipts :*** The Government Orders (April 2000), stipulated that the funds remaining unspent till the end of the subsequent financial year are to be credited to Minor Head – Other Receipts (800) under Departmental Receipt Major Head. Government orders (March 2016) regarding lapsing of funds for the year 2015-16 further stipulated that if the Treasury Officer was unable to find out the Departmental Receipt Major Head, then the unspent balances shall be remitted under Major Head 0075 – Miscellaneous General Services.

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[7] (i) Telangana State Housing Corporation limited (₹209.26 crore), (ii) Telangana State Backward Classes Cooperative Finance Corporation Limited (₹5.92 crore), (iii) Telangana State Seeds Development Corporation (₹228.00 crore), (iv) Hyderabad Road Development Corporation Limited (₹2.73 crore), (v) Telangana Most Backward Classes Cooperative Finance Corporation limited (₹1.21 crore), (vi) Chief Planning Officer, Nalgonda (₹0.26 crore), and (vii) District Collector, Sircilla (₹20.00 crore)

[8] (i) Telangana State Housing Corporation limited (2016-17:₹0.30 crore, 2017-18: ₹287.50 crore), (ii) Telangana State Backward Classes Cooperative Finance Corporation Limited (2016-17:₹4.04 crore, 2017-18: ₹3.25 crore), (iii) Hyderabad Road Development Corporation Limited (2017-18: ₹12.64 crore), (iv) Telangana Most Backward Classes Cooperative Finance Corporation limited (2017-18: ₹1.85 crore,), and (v) Chief Planning Officer, Nalgonda (2017-18: ₹0.06 crore)

As per the information furnished (November 2019) by DTA, amounts of ₹321 crore and ₹2,606 crore[9] were lapsed and credited to Government account as Revenue Receipts in March 2018 and March 2019 respectively instead of as minus debit to the corresponding service Head of Account.

As transfer from Consolidated Fund to PD accounts *i.e.*, Public Account has already been treated as expenditure, crediting the unspent balance to Receipts Heads not only contradicts instructions of Financial Code, but also results in overstatement of both Receipts and Expenditure.

Box 3.2: Incorrect lapsing of funds pertaining to Badangpet Municipality

As per Government Orders (April 2000), the Deposit accounts of the Local Bodies wherein own receipts such as taxes, other fees and user charges are collected directly from the public under the provisions of their statutes and by-laws, are to be classified as Category 'A' Deposit Accounts. These Local Bodies may also receive statutory devolutions and statutory Grants. The Deposit Accounts under Category 'A' are non-lapsable.

As per Government Orders of April 2000, Badangpet Municipality, which is a Local Body, was assigned a PD account under Category 'C' instead of Category 'A', for reasons not on record.

It was observed in audit that the Government has lapsed balance of ₹1.72 crore available in the PD account of Commissioner, Badangpet Municipality (Commissioner) at the end of March 2019. Commissioner stated (February 2020) that lapsing of this amount, collected from public to be spent on developmental works, was not correct. The Commissioner also stated that the grounds on which the amounts were lapsed were not known.

Such lapsing of funds belonging to the third tier of Governance *i.e.*, Municipality would adversely affect their performance.

3.1.6 Inoperative PD Accounts

As per Article 271 (iii) (4) of Financial Code, if a PD account is not operated for a considerable period and there is a reason to believe that the need for the deposit account has ceased, the same should be closed in consultation with the officer in whose favour the deposit account has been opened. These orders were, however, not complied with and the following were observed:

9 from 493 accounts in March 2018; from 527 accounts in March 2019

- Out of the 125 PD accounts, informed by DTA as operational under Head of Account 8443-106, there was no expenditure in respect of 76 accounts in 2017-18 and 2018-19 and they have a balance of ₹1.27 crore at the beginning of 2019-20.
- Out of the above 76 accounts, there were no receipts in 40 accounts, but they had a cumulative opening balance of ₹0.68 crore from 2017-18 onwards.
- Out of these 40 accounts, there were 12 accounts with 'Nil' balance.

Recommendation 8: *Government may consider assigning a Unique ID to each PD Administrator. Government may review its orders of April 2000 to align them with Budget Manual and Financial Code. State Government may review Category 'C' Deposit Accounts being operated as PD accounts and bring them under the relevant Head of Account. State Government may also initiate action to close the inoperative PD accounts.*

3.2 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 2018-19 and 2017-18 are detailed in ***Table 3.2.***

Table 3.2: Receipts and Expenditure under Minor Head - 800

Year	Receipts[10] (₹ in crore)	No. of Major Heads under which Minor Head 800 is operated	Receipts under Minor Head 800 ₹ in crore (*per cent*)	Expenditure[11] (₹ in crore)	No. of Major Heads under which Minor Head - 800 is operated	Expenditure under Minor Head - 800 - ₹ in crore (*per cent*)
2017-18	88,824	47	3,555 (*4*)	1,09,267	45	13,214 (*12*)
2018-19	1,01,420	44	5,957 (*6*)	1,19,724	44	21,011 (*18*)

Source: Finance Accounts

The following are observed:

- The use of omnibus Minor Head in monetary value has increased in comparison to previous year. The increase in the operation of Minor Head 800 in 2018-19 is substantial, despite the fact that this issue has been continuously reported in the previous reports of the Comptroller and Auditor General of India, on State Finances of Telangana.

[10] Revenue Receipts

[11] Both Revenue and Capital

The fact that such substantial proportion of the receipts / expenditure is classified under Minor Head - 800 is a cause for concern, as it impacts transparency.

- In respect of 12 Receipt Major Heads like Tourism, Urban Development and Minor Irrigation, entire Receipts totalling to ₹62 crore were classified under Minor Head - 800 – Other Receipts (details in ***Appendix 3.1***).

- In respect of six Expenditure Heads, expenditure totalling to ₹1,468 crore was classified under Minor Head 800 – Other expenditure (details in ***Appendix 3.2***). Capital Outlay on Roads and Bridges alone was ₹1,300.59 crore under Minor Head - 800.

- In respect of 11 Major Heads, receipts amounting to ₹2,836.73 crore, (details in ***Appendix 3.3***) and in respect of 6 Major Heads, expenditure amounting to ₹13,192.14 crore, (details in ***Appendix 3.4***), substantial proportion *i.e.*, 50 *per cent* or more were classified under Minor Head 800 – Other Receipts / Expenditure.

- In respect of two receipt Major Heads *viz*., Miscellaneous General Services (₹2,660.71 crore) and State Goods and Services Tax (₹1,913.43 crore), the Receipts classified under Minor Head 800 was more than ₹1,000 crore in each case. Accounting huge receipts under Other Receipts adversely impacts the quality of reporting of the Receipts.

- In respect of five[12] Revenue Expenditure Major Heads, the expenditure classified under Minor Head - 800 was more than ₹1,000 crore in each case.

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

It was observed in audit that Omnibus Minor Head - 800 (with the relatable sub-head) was operated despite availability of specific Minor Head in the following cases (***Table 3.3***):

[12] (i) Crop Husbandry (₹8,151.02 crore), (ii) Power (₹3,710.96 crore), (iii) Welfare of SC and ST (₹2,424.45 crore), (iv) Nutrition (₹1,432.40 crore) and (v) Capital outlay on Roads and Bridges (₹1,300.59 crore)

Table 3.3: Use of Minor Head 800 with relatable sub-head despite availability of relatable specific Minor Head

(₹ in lakh)

Sl. No.	Classification under Minor Head - 800	Description of sub-head used	Related specific Minor Head to be used	Related specific Minor Head Description	No. of cases	Amount
Receipts						
1	0070-60-**800**-25	Receipts under Right to Information Act, 2005	0070-60-**118**	Receipts under Right to Information Act, 2005	135	1.39
2	0202-04-**800**-01	Receipts of the Department of Archaeology	0202-04-**101**	Archives and Museums	98	64.34
Expenditure						
1	2403-00-**800**-08	Veterinary services and Animal Health	2403-00-**101**	Veterinary services and Animal Health	65	466.93
2	2405-00-**800**-05	National scheme for welfare of Fishermen	2405-00-**121**	Welfare schemes for Fishermen	1	247.50

Source: Finance Accounts

Classifying the receipts and expenditure under omnibus Minor Head - 800, despite availability of specific Minor Head indicates wrong depiction of Government Accounts. Also, it may be noted, as discussed in ***paragraph 2.10.2***, that the Government has been opening new sub-heads every year without the concurrence of Accountant General (A&E). The Government opened 18 new sub-heads in 2018-19 without prior concurrence of the AG (A&E). Total provision made under these sub-heads was ₹13,891 crore. Obtaining concurrence of Accountant General (A&E) before opening new sub-heads helps in avoiding such duplications and incorrect classifications.

Recommendation 9: *The Finance Department may, in consultation with the Accountant General (A&E), conduct a comprehensive review of all the items presently appearing under Minor Head – 800 -'Other Expenditure' and ensure that, in future, all such receipts and expenditure are booked under appropriate Heads of Account to avoid opaqueness in the accounts.*

3.3 Compliance to 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 2018-19 and deficiencies therein are detailed in ***Table 3.4***:

Table 3.4: Compliance to 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. (***please refer to paragraph 1.7.2*** - for further audit findings on Guarantees)
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 contrast to the Accounting Standards (***please refer to paragraph 1.3.1, Table 1.4)***
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. (***please refer to paragraph 1.6.3*** for further audit findings on Loans and Advances)

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, financial performance and cash flows apart from hindering fiscal transparency.

3.4 Submission of Annual Accounts by Autonomous Bodies

Sections 19 and 20 of "Comptroller and Auditor General of India (Duties, Powers and Conditions of Service Act) 1971" (CAG's DPC Act) facilitate certification of Accounts of Autonomous Bodies (ABs) set up by the State Governments.

There were 24 ABs which were to submit their Annual Accounts to CAG for certification of Accounts under Section 19 and 20 of the CAG's DPC Act, before 30 June every year. None of the 24 ABs have submitted their Annual Accounts in time. There were delays ranging from one to nine years in submission of Accounts (***Table 3.5***).

Table 3.5: Age-wise details of delay in submission of Annual Accounts of Autonomous Bodies

Sl. No	Delay in Number of Years	No. of Bodies/ Authorities
1	1	6
2	2-3	9
3	4-5	5
4	6-7	2
5	8-9	2
Total		**24**

The following are observed:

- Metropolitan Legal Services Authority and Telangana State Group Life Insurance did not submit even their first Annual Accounts since 2010-11 and 2014-15 respectively, as of December 2019.

- Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) did not submit annual accounts from 2010-11 onwards. Despite non-rendering of accounts for nine years, the Government has been providing loans and guarantees to HMWSSB. The State Government has provided ₹874.80 crore as Loans to HMWSSB in 2018-19 alone. The total loans outstanding as of March 2019 stood at ₹5,932.30 crore. Further, the value of guarantees given by State Government to HMWSSB also increased from ₹3,399 crore (March 2018) to ₹3,487 crore (March 2019).

In the absence of rendering of annual accounts, there is likelihood of cases of misclassification and wrong accounting procedures going un-noticed. A case in point is comparison of accounts of State Government and Arogyasri Health Care Trust (AHCT). While the accounts of State Government depict a loan of ₹276.28 crore and Grants-in-Aid of ₹222.60 crore to Arogyasri Health Care Trust (AHCT) in 2017-18, the annual accounts of AHCT for 2017-18 depict that it has received ₹182.05 crore in the form of Advances and ₹461.38 crore in the form of Grants-in-Aid. Such aberrations/misrepresentations might go undetected if the annual accounts are not submitted in time.

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

3.5 Submission of Utilisation Certificates

Effective Budget controls aid in transparency of accounts and help in watching the proper utilization of Grants provided for various schemes/programs. As per Article 211-A.2 of TS Financial Code, the Departmental Officers are responsible for certifying to the Accountant General (A&E) about the fulfilment of conditions attached to the utilisation of the Grant. The Utilisation Certificates (UCs) should be furnished in such form and at such intervals as may be agreed between AG (A&E) and the Head of Department concerned.

Utilisation Certificates for Grants in respect of seven sanctions (amounting to ₹421.84 crore) in respect of three schemes out of 11 sanctions (amounting to ₹1,015.33 crore) pertaining to Municipal Administration and Urban Development Department, for which sanctions were accorded with a stipulation that the Grant receiving authority shall submit UCs to AG (A&E), have become due and have not yet been received as of December 2019. Details shown in ***Table 3.6*** below:

Table 3.6: Schemes for which UCs not received

(₹ in crore)

S. No	Name of the Scheme	Year of Grant	Total GIA released	UCs submitted	Balance
1	AMRUT& Smart Cities	2016-17	374.97	--	374.97
2	JNNURM	2016-17	18.12	--	18.12
3	Swachh Bharat	2016-17	28.75	--	28.75
	Total		**421.84**		**421.84**

Source: Information furnished by AG (A&E)

- Audit observed that Grants-in-Aid of ₹500.00 crore was released to the Telangana State Housing Corporation Limited (TSHCL) (September 2018) towards the scheme 'Construction of Two Bed Room Houses to the Rural poor'. As per the Appropriation Accounts, in the month of March 2019, ₹468.00 crore was withdrawn by the Government and expenditure of ₹32.00 crore only was incurred towards the scheme. However, UC for ₹500.00 crore was submitted by TSHCL (May 2019), stating that the amount has been utilised fully. The UC furnished was faulty.

Pendency in submission of UCs is fraught with risk of fraud and mis-appropriation of funds.

Further, it was observed that the Grant receiving authorities in respect of MA & UD Department only were instructed to furnish Utilisation Certificates to Accountant General (A&E). Similar instructions in respect of sanctions pertaining to other Departments for monitoring by AG (A&E) were not forthcoming.

Recommendation 10: *State Government may ensure that sanctions in respect of specific purpose Grants pertaining to other Departments may also include a stipulation regarding furnishing of UCs to AG (A&E).*

3.6 Submission of Detailed Contingent bills

Financial Rules[13] permit drawal of advances on Abstract Contingent bills (AC bills) for the purpose of meeting contingent expenditure for specified purposes. Treasury rules[14] and Government orders[15] stipulate that all advances drawn on AC bills should be adjusted by submitting the Detailed Contingent bills (DC bills) with supporting vouchers within one month. As of March 2019, there were 2,969 AC bills amounting to ₹340.39 crore, which remained un-adjusted due to non-submission of DC bills as shown in ***Table 3.7*** below:

[13] Article 99 of Telangana Financial code

[14] SR18 below TR 16

[15] GO No.391, dt.22-03-2002 and 507, dt.10-04-2002

Table 3.7: Year-wise details of AC bills pending adjustment

Year	As of March 2018		As of March 2019	
	No. of AC Bills	Amount (₹ in crore)	No. of AC Bills	Amount (₹ in crore)
Up to 2014	641	81.64	548	75.21
2014-15	349	99.00	273	49.06
2015-16	393	39.38	256	24.47
2016-17	447	42.40	255	35.28
2017-18	334*	18.03*	589	21.37
2018-19	--	--	1,048*	135.00*
Total	**2,164**	**280.45**	**2,969**	**340.39**

Source: Accountant General (A&E), Telangana

** Information reflects data upto December of the respective years*

The number of AC bills awaiting adjustment as of March 2019 (2,969 bills amounting to ₹340.39 crore) has increased in comparison to previous year (2,164 bills amounting to ₹280.45 crore). Further, the drawal of AC bills has increased substantially in 2018-19.

Out of 2,969 AC bills pending adjustment, 1,651 AC bills amounting to ₹193.54 crore ***(57 per cent)*** were pending adjustment by three Departments[16] in which DC bills for more than ₹10 crore in each case were awaited as of March 2019.

365 AC bills amounting to ₹30.12 crore pertaining to the period prior to bifurcation of the State were still pending.

Advances drawn and not accounted for increase the possibility of wastage / mis-appropriation / malfeasance *etc*.

3.7 Un-reconciled Receipts and Expenditure

Government Orders[17] and Financial Rules[18] stipulate that expenditure recorded in the books of Chief Controlling Officers (CCOs) of Departments is to be reconciled with the books of the Accountant General (Accounts and Entitlements) every month. Reconciliation enables the CCOs to exercise effective control over budget and expenditure. It also ensures accuracy of the accounts.

A sum of ₹18,943.16 crore of receipts, *i.e.*, 19 *per cent* of total Revenue Receipts (₹1,01,420.16 crore) remained un-reconciled in 2018-19 ***(Appendix 3.5)***. Similarly, expenditure of ₹21,435.71 crore, *i.e.*, 18 *per cent* of total expenditure (₹1,19,723.61 crore)[19] remained un-reconciled. Non-reconciliation impacts the assurance that all the receipts/expenditures have properly been taken to the final Head of Account.

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[16] Revenue – 1,473 AC Bills (₹161.71 crore); Panchayat Raj & Rural Department – 134 AC Bills (₹15.08 crore); Planning Department – 44 AC Bills (₹16.75 crore)

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

[18] Article 9 of State Financial Code

[19] Total Expenditure for 2018-19 as per Finance Accounts

- There were five CCOs who did not reconcile receipts of ₹100 crore and above as shown in ***(Table 3.8)*** below. The total of such un-reconciled receipts in 2018-19 was ₹18,667.06 crore.

Table 3.8: CCOs with highest un-reconciled receipts

S. No.	Name of the CCO	Amount (₹ in crore)
1	Commissioner of Commercial Taxes	10,512.41
2	Commissioner, Prohibition and& Excise	4,757.92
3	Commissioner of Industries	2,721.82
4	Director, Mines and Geology (Non-Ferrous Mining and Metallurgical Industries)	390.78
5	Commissioner and Inspector General of Stamps and Registration	284.13
Total		**18,667.06**

Source: Information obtained from Accountant General (A&E), Telangana

- Similarly, there were 25 CCOs who did not reconcile expenditure of ₹100 crore and above ***(Appendix 3.6)***. The total of such un-reconciled expenditure was ₹19,235.53 crore. Out of these, six CCOs did not reconcile expenditure of more than ₹1,000 crore as shown in ***Table 3.9*** below. The total of such un-reconciled expenditure was ₹11,782.70 crore, which amounted to 55 *per cent* of the total un-reconciled expenditure.

Table 3.9: CCOs with highest un-reconciled expenditure

Sl. No.	Name of the CCO	Amount (₹ in crore)
1	Commissioner, Social Welfare, D.S. Samkshema Bhavan	3,974.21
2	Director of School Education	2,379.70
3	Commissioner, Tribal Welfare, D.S. Samkshema Bhavan	2,180.28
4	Secretary, Energy Department	1,203.66
5	Commissioner, BC Welfare, D.S. Samkshema Bhavan	1,039.89
6	Commissioner, Panchayat Raj	1,004.96
Total		**11,782.70**

Source: Information obtained from Accountant General (A&E), Telangana

Periodical and regular reconciliation of accounts is necessary to provide accuracy and consistency in financial accounts.

3.8 Follow up action on 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 (July 2018) Explanatory Notes for Audit Report on State Finances for the year 2016-17. Finance Department, however, did not furnish Explanatory Notes for Audit Reports on State Finances for the years 2017-18, 2015-16 and 2014-15 as of January 2020.

(SUDHA RAJAN)
Accountant General (Audit), Telangana

Hyderabad
The 29 July 2020

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The 31 July 2020